

السوق المالية

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,802 Wednesday December 11 1985

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Union problems in
West Germany's
Silicon Valley, Page 15

Accra	Sh 18	Indonesia	Rp 2500	Portugal	Esc 80
Bahia	B 4 05	Japan	Y 1300	S. Arabia	R 5 00
Bombay	Rs 42	Kenya	Sh 150	Singapore	S\$ 4 10
Canada	C\$1 00	Libya	Lib 500	Sri Lanka	Rs 110
Cairo	E£ 10	Malawi	Mal 500	Taiwan	N\$ 30
Geneva	Fr 7 25	Malaysia	Mal 4 42	Thailand	Sh 5 50
Hong Kong	HK\$ 12	Mexico	Ps 200	Uganda	Sh 1 00
India	Rs 15	Morocco	Dir 6 00	USA	\$ 1 00
		Netherlands	Fl 2 50		
		Norway	Nkr 6 00		
		Poland	Zl 2 00		
		South Africa	R 1 00		
		Switzerland	Sfr 2 20		
		Tanzania	Sh 1 00		
		Turkey	L 1 20		
		Uganda	Sh 1 00		
		U.S.A.	\$ 1 00		

US will discuss troop cuts in Spain

UK set to clear new Telegraph

Spain obtained a commitment from the US to discuss phased cuts in the US military presence in the country. The agreement comes a year after Prime Minister Felipe Gonzalez said he would seek reductions at Spain's four US bases as part of a package aimed at gaining majority public acceptance for keeping the country in NATO.

At the end of two days of "exploratory" talks in Madrid, delegations from the two countries agreed to include cuts at US bases when they begin negotiations to renew their bilateral defence pact next year. The outcome of the meeting is the most that Madrid could hope to obtain from Washington at present, since the US has resisted making any move on its bases until Spain's NATO status is settled in a referendum planned for next March.

Willoch survives vote
Norwegian Prime Minister Kaare Willoch survived the first of a series of parliamentary votes of confidence over government spending after he warned that his minority coalition could fall by Christmas unless high expenditure plans were shelved.

Gulf War bombing
The five-year-old Gulf War went into a fresh spiral of violence as Iran and Iraq bombed each other's territory and thousands of Iranian volunteers left for a possible new ground offensive.

Chile train raid
Six men and a woman armed with automatic weapons held up a train in a Chilean underground railway station in Santiago. They set off a bomb after herding passengers to safety and injured two policemen with gunfire.

Leader re-elected
Angola's ruling MPLA party re-elected Jose Eduardo dos Santos as party leader and head of state for a second five-year term.

Turkish pledge
Proposed charges against Turkey at the European Human Rights Commission were dropped in return for pledges from Ankara on torture and the state of emergency. This raised hopes of improved relations between Turkey and West Europe.

Curb on refugees
The Danish parliament passed a law curbing the rights of refugees seeking asylum. Under the law refugees can be expelled after two weeks without the right to a tribunal hearing if officials regard their case as groundless.

Walesa probe
The Polish Government said that investigations into the activities of Solidarity leader Lech Walesa posed serious obstacles to granting him a passport to travel abroad.

Soviets hold 12
Soviet police detained 12 people who tried to mark the 70th anniversary of the UN Declaration of Human Rights with a silent vigil in Moscow.

MEP resigns seat
Italian television presenter Enzo Tortora resigned his seat in the European Parliament and gave up his immunity from a 10-year prison sentence for drug and mafia offences in his home country. A member of Italy's Radical Party, he has proclaimed his innocence of the charges.

Drug ring 'smashed'
French police said they had smashed what they believe to be France's biggest ring of cocaine traffickers.

Business summary

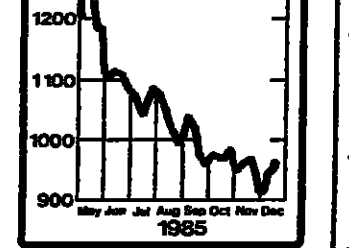
CANADIAN businessman Conrad Black is expected to get approval today from UK Trade and Industry Secretary Leon Brittan to take just under 51 per cent of the shares in the Daily Telegraph, Britain's largest circulation quality daily newspaper, which is facing serious financial difficulties. New man on Fleet Street, Page 17

TOKYO: Utilities were sought and prices firmed. The Nikkei average gained 32.72 to 12,850.93. Page 38

WALL STREET: The Dow Jones industrial average closed up 2.18 at 1,499.20, a new record. Page 38

LONDON: Stocks were uneasy on the spectre of lower oil prices and gilts eased. The FT Ordinary share index added 0.3 to 1,115.70 while the FT-SE 100 lost 2.7 to 1,380.5. Page 38

COPPER and aluminium led a rise in prices on the London Metal Exchange with sterling's fall the supporting factor. Cash high-grade copper, boosted by active forward buying, was up £13.50 a tonne at £964.25. Commodities, Page 30



DOLLAR was firm in London, closing at DM 2.539 (DM 2.535), Sfr 2.118 (Sfr 2.117) and FF 7.75 (FF 7.73). It was unchanged at ¥203.55. On Bank of England figures the dollar's index rose to 127.7 from 127.4. Page 31

STERLING dropped 2.35 cents against the dollar in London to £1.435. It was also lower at DM 3.8425 (DM 3.8975), Sfr 3.04 (Sfr 3.0875), FF 11.1225 (FF 11.275) and ¥292.0 (¥298.75). The pound's exchange rate index was down to 78.9 from 80.3. Page 31

GOLD rose 50 cents on the London bullion market to \$318.25 but fell 10 cents in Zurich to \$317.55. In New York the COMEX February settlement was \$321.30. Page 30

PLESSEY, UK telecommunications group, rejected the £1.18bn (\$1.74bn) takeover bid by Britain's General Electric Company (GEC), but held out the possibility of talks about combining the group's telecommunications interests. Page 23

ARBED SAARSTAHLE, the troubled West German steel producer, is to cut its workforce by about 3,000 by the end of 1987, according to Rainer Wickmayer, chairman of the Saarland regional parliament's steel committee.

PARIBAS, the French state-owned investment bank, seems likely to block a takeover bid by the AXA group, France's largest private insurance company, for the Providence-Secours group. Page 17

COMPAGNIE Parisienne de Réassurance, a highly profitable French money broker, will enlarge its shareholder structure through the sale of FF 500m (\$64.7m) in shares tomorrow. Page 17

PEUGEOT, the French car group, is seeking soft loans of FF 500m (\$64.3m) from the French Government to help finance an increased investment programme. Page 17

AMERICAN MOTORS, the US affiliate of the French Renault group, is discussing new arrangements with Japanese suppliers amid speculation it is aiming to launch a joint venture with a Far Eastern manufacturer. Page 17

Oil prices plunge as weak £ fuels UK tax-cut doubts

BY DOMINIC LAWSON, MICHAEL PROWSE AND PHILIP STEPHENS IN LONDON

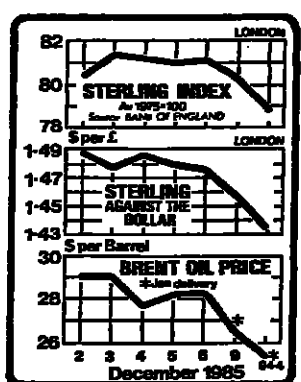
OIL PRICES, in both spot and futures markets and on both sides of the Atlantic, weakened again yesterday, continuing a two-day collapse, which traders described as being of unprecedented proportions.

At the close of trading in London yesterday, a January cargo of Brent, the main North Sea crude, was offered at \$24.20 a barrel, with no takers. On Monday, the January Brent price fell from \$27.80 to \$26.50. Two weeks ago, it traded over \$30.

Starting also fell again yesterday, in continuing reaction to the decision by the Organisation of Petroleum Exporting Countries (Opec) to seek a "fair share" of the world oil market even if this meant lower prices.

The sterling index, which measures its value against a basket of currencies, has fallen by 2.7 per cent in the past two days and closed last night at 78.9. The pound closed in London 2.35 cents lower at \$1.4350 and slipped to a nine-month low against the D-Mark, finishing 5.50 pence down at DM 3.8425.

The fall in oil prices - and thus potentially in the British Government's revenues - has also created uncertainty about the scope for tax cuts in next year's UK budget.



Mrs Margaret Thatcher, the British Prime Minister, meanwhile, ruled out an early cut in UK interest rates.

A London oil trader said yesterday: "There is a feeling of shell shock and bewilderment. There has never been anything like this before. Prices are falling in a straight line without finding buyers, and it is very hard to keep up with."

The price of Gulf crudes was stable, at levels well in excess of North Sea prices, suggesting that Japanese companies might soon take the highly unusual step of shipping North Sea oil to the Far East.

The British Government shows no signs of changing its policy of not controlling North Sea production. The operating cost of about 65 per cent of UK production is no more than \$5 a barrel.

On the New York Mercantile Exchange (Nymex), all crude oil and product contracts closed "limit down" for the second day in succession. Under the rules of the exchange the oil can be traded only within a pre-agreed price range. Before this week, this rule had never been invoked.

On Monday, the crude oil contract fell by the maximum permissible level of \$1 a barrel. Yesterday, in line with a pre-agreed formula, the downward limit was set at \$1.50, and this was hit after a few hours trading involving 24m "paper barrels." Today the limit will be \$2.

Miss Rosemary McFadden, president of Nymex said yesterday: "This is such a drastic reaction. A lot of people have been taken by surprise. We are very carefully monitoring the financial condition of people trading in our market, and we can take appropriate steps."

Continued on Page 16
Editorial comment, Page 14; Lex, Page 16; oil prices, Page 30; money markets, Page 31

Fiat in talks on Soviet engine factory

By Alan Friedman in Milan

FIAT, Italy's leading vehicles group, is in talks with Moscow about a contract to build a car engine factory in the Soviet Union which could have a value of about \$1bn, according to Mr Nicolai Lunok, the Soviet ambassador to Rome.

He told Italian journalists in Turin on Monday that he had met recently Mr Giovanni Agnelli, Fiat chairman, and Mr Cesare Romiti, Fiat group managing director. Fiat yesterday confirmed that negotiations with Moscow to build the car engine plant are under way. The Turin-based group would not, however, comment on the value of the order being discussed.

Mr Lunok, who also spoke of large scale negotiations for industrial agreements with Italy's Olivetti (office automation) and Montedison (chemicals) groups, said that the total value of the business being discussed with Fiat would be larger than the contract to build a steel tube plant won last summer by Italimpianti, the state-owned engineering group. The Italimpianti order was worth \$370m.

The Soviet ambassador's unusually detailed announcement caught Fiat and the other companies referred to by surprise. While Olivetti and Montedison each said they had a series of negotiations under way with Moscow, neither company said it expected an imminent contract signing.

Fiat, while declining to comment on the value of the proposed car engine plant, said: "We would not place in doubt the declaration by Ambassador Lunok is true." Fiat's coyness on the value of the contract stems from the fact that details still need to be worked out.

Since 1980 Soviet orders for the Fiat Group, which includes earth-moving equipment, tractors and other agricultural machinery, machine tools and robotised welding assembly lines for the Soviet Union's Zaz car company, have totalled around \$500m.

Last summer's \$370m Italimpianti order was one of the most significant awarded by Moscow to an Italian company. A second contract of similar size is also being discussed with Italimpianti.

The Italimpianti order, together with a new Fiat contract, would go a long way towards reducing complaints from the Italian Government that its bilateral trade deficit with Moscow was getting too large. The trade deficit last year totalled \$1,300m (\$2.5bn).

Banks ready to declare support for Baker plan

BY PETER MONTAGNON IN LONDON

INTERNATIONAL banks are on the verge of declaring publicly their support for the US initiative on easing the developing-country debt crisis launched by Mr James Baker, Treasury Secretary, in Seoul last October.

Commitments are likely to start flowing over the coming days and weeks, possibly even before the deadline of December 15 set by the Treasury, Mr William Rhodes, senior vice president of Citibank, said in London yesterday.

First loans under the plan could be arranged as early as the first half of next year, he said, adding that Ecuador and Argentina now seemed likely to be early beneficiaries.

Public support by banks will give new momentum to the plan which calls them to pledge new loans of \$20bn over the next three years to the most heavily indebted countries. Mr Baker had asked for the commitments by mid-month to coincide with a meeting of major Latin American debtor governments scheduled for next week in Montevideo, Uruguay.

Mr Rhodes, who chairs bank debt negotiating committees for five major Latin debtors, said that although commitments were imminent it was not certain whether they would all come by this date. "A couple of days won't make much difference," he said.

The commitments are expected to flow from national groups of banks to the International Monetary Fund and World Bank, which is also to step up its lending under the plan. Separately, Mr Harve de Carmoy, chief executive of Midland Bank, said UK banks were likely to make their commitments "shortly."

However, bankers stress that commitments at this stage are likely to be general statements of support conditional on other parties involved also playing their part. Speaking earlier to a banking conference organised by the Financial Times, Mr Rhodes said that industrial governments must do more to match the multi-year rescheduling now being arranged by commercial banks and to maintain export credit cover for countries that have rescheduled their debts.

Also, regulatory authorities responsible for supervising national banking systems should respond more quickly in upgrading the debt of countries that are performing.

Continued on Page 16
FT banking conference, Page 9

South Africa yesterday extended its four-month freeze on foreign debt repayments until the end of March and remained firm in its rejection of requests for exemption, "in view of continuing pressure on the foreign exchange markets." Page 16

Westland suspends share trading as talks continue

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT, IN LONDON

SHARE DEALINGS in Westland, Britain's financially troubled helicopter manufacturer, were suspended on the London stock market yesterday at the company's request.

Westland said that the directors, concerned at the level of speculation over the company's affairs, had requested suspension pending submission of definitive recapitalisation proposals to the shareholders.

The suspension came as British Government ministers were in urgent discussions aimed at finding an all-European solution to Westland's problems which, over the past few months, have seen the market capitalisation of the group slide from more than £120m (\$171m) to \$38m when the shares were suspended at 6p yesterday morning.

Lazard Brothers, the UK merchant bank acting for Westland, said it was hoped that the group's

full-year figures, together with details of the recapitalisation programme and of a new partner, could be announced before Christmas.

Last June, when Sir John Cuckney was appointed to take charge of the company's rescue, Westland said it was seeking an international partner as part of a restructuring plan. This would be designed to meet gaps in the company's workload and in its balance sheet.

Speculation on the company's future has been fuelled recently. The Westland board favours links with Sikorsky, the subsidiary of the US conglomerate United Technologies, with which negotiations are far advanced, but in the past two weeks three European helicopter companies have put forward alternative proposals with the backing of the British, French, West German and Italian defence ministries.

The European move - involving Agusta of France, Agusta of Italy and Messerschmitt-Bölkow-Blohm of West Germany - has been encouraged by Mr Michael Heseltine, the British Defence Secretary, but greeted without enthusiasm by several of his Cabinet colleagues.

Mr Heseltine believes Westland's dilemma provides a unique opportunity for rationalising and strengthening the European helicopter industry against US competition. Some of his colleagues, however, particularly Mr Leon Brittan, the Trade and Industry Minister, would prefer to allow Westland freely to choose its preferred option.

Talks between Mr Heseltine and Mr Brittan as well as representatives of the Treasury and the Foreign Office are believed to have resulted in agreement that Mr Heseltine

Continued on Page 16

Thorn screen division goes to managers in £110m buy-out

BY RAYMOND SNOODY IN LONDON

THORN EMI, the British electronics and leisure group, yesterday sold its screen entertainment division to its management for £110m (\$157.8m). The deal covers 106 cinemas, a library of 2,000 films and EMI Studios, as well as Thorn film financing, production and distribution operations.

Thorn's management team was able to take control because of last-minute support from Mr Alan Bond, the Australian businessman who is chairman of Airship Industries, the British designer and manufacturer of airships.

Under the leadership of Mr Gary Duxhall, chairman and chief executive of Thorn EMI Screen Entertainment (TESE), the managers succeeded in the face of bids from Rank Organisation and a joint Heron International Cannon Group team.

Mr Bond, who is British-born, runs the Bond Corporation which has an annual turnover of \$52bn (US\$1.36bn) and was the backer of

Australia's successful challenge for the America's Cup in 1983. He decided in the past three days to invest about £15m for a 45 per cent equity stake in the new company, Screen Entertainment.

Last week, Rank and Heron/Cannon appeared to be favourites after Thorn EMI failed to respond to a £100m bid from the management team, which formally withdrew from the field.

Sir Graham Wilkins, chairman of Thorn EMI, yesterday described the deal as "a particularly satisfactory outcome, not only for Thorn EMI shareholders and the employees of TESE but also in respect of the company's important role in the film industry in Britain and internationally."

Thorn decided earlier this year that TESE's activities did not fit in with its future strategy and decided to sell.

Mr Bond, who has radio and television interests in Australia, said he was interested in the deal because

he wanted to distribute films from the Screen Entertainment library in Australia.

In turn, he hoped the company's distribution network would handle the Australian film industry's growing output and present it to a wider public.

Mr David Puttnam, the Oscar-winning British producer who last week attacked what he felt was the monopolistic implications of either Rank or Heron/Cannon taking control, last night welcomed the management buyout.

"It means we have three strong cinema circuits with strong management which will compete with each other. That is the most I hoped for," Mr Puttnam said.

Mr Dartnall will take a minimum of 10 per cent of the Screen Entertainment equity and will have options to increase his stake. Apart from Mr Bond's stake, the rest will go to clients of Bear Stearns, the U.S. securities firm, who have not yet been named.

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Europe	2-3	Currencies	31	Yugoslav economy: looking to changes ahead	2	Germany: union spanner in 'Silicon Valley'	15
Companies	17-18	Editorial comment	14	Argentina: junta verdicts aim for reconciliation	5	UK: diminishing relevance of sterling M3	15
America	5	Eurobonds	17-18	Management: reshaping of US Steel	12	Lex: sterling; US budget; ConsGold; Norcross	16
Companies	17-18	Euro-options	34	Editorial comment: sterling; Argentina	14	Newspapers: question of roles for Black	17
Overseas	4	Financial Futures	31, Section III	France: socialist bear trap for the right	14	Financial Futures: Survey	Section III
Companies	19	Gold	30				
World Trade	6-20	Int'l Capital Markets	17-18				
Britain	7-10	Letters	15				
Companies	22-26	Management	12				
		Market Monitors	38				
		Men and Matters	14				
		Money Markets	31				
		Raw materials	38				
		Stock markets	35, 38				
		Wall St.	35-38				
		London	32-35, 38				
		Technology	21				
		Unit Trusts	27-29				
		Weather	16				
Agriculture	30						
Appointments	27						
Arts - Reviews	13						
Commercial Law	27						
Commodities	30						
Crossword	27						

EUROPEAN NEWS

Turkish-West European relations set for far-reaching changes

BY DAVID BARCHARD IN ANKARA

FAR-REACHING changes in the troubled Turkish-West European relationship may be on the way, if the friendly settlement announced yesterday between Turkey and the five countries which had been planning to prosecute it at the European Commission on Human Rights, proves durable.

Western diplomats here regard the agreement as likely to lead to the unblocking of several disputes.

This line has been pressed particularly strongly by the Dutch Government—one of the five original prosecuting countries, which is understood to have mediated on Turkey's behalf with the hardliners, notably the Danish Government.

"If it is really done well and properly," said one Western diplomat, "the agreement is a major step in the right direction." Turkey has apparently agreed to work on an amnesty for political prisoners, though until now, the Government has denied they existed.

It will also submit secret reports on human rights conditions in jails and detention centres to the Commission and three meetings with officials will be held during the first half of 1986. The Turkish Foreign Ministry welcomed the settlement, but seems to have tried to play down the apparent concessions involved.

It is known to feel that the prosecution was politically motivated and that the governments involved have abandoned it

largely because their chances of winning the case were slim.

It is being stressed here that although the parliament will work on an amnesty Bill, there is no guarantee that one will actually be passed.

Major interest here centres on the outcome of several controversial trials. One of the most important of these, that of 25 Istanbul intellectuals and professionals, who have so far served three years of jail sentences of between eight and five years, is due to have its final hearing next week. The prisoners, all founder-members of a peace movement, are accused of subversive activities.

The outcome of several other trials, also not mentioned in the agreement, will also be monitored carefully. These include a mass trial of left-wing trade unionists in Istanbul accused of trying to overthrow the constitution, and of intellectuals who last year petitioned President Kenan Evren for greater liberalism.

These cases formed the main plank of a recent report approved in October by the European Parliament, declining to restore full inter-parliamentary relations with Turkey.

Generally speaking, Turks view foreign criticism of their human rights record as interference in the country's internal affairs. There is little or no press interest in human rights cases, though the main opposition party has recently been attacking the government on the issue of torture.

French current account surplus up

FRANCE showed a provisional seasonally-adjusted current account payments surplus of FFrs 1.6bn (£1.1bn) for October, up from a revised FFr 1.1bn surplus in September, the Finance Ministry said, Reuters reports.

The cumulative adjusted current account deficit for the first 10 months of the year narrowed to a provisional FFr 0.1bn from a FFr 7.2bn deficit in the same period of 1984.

The unadjusted trade deficit, calculated according to current account criteria, fell to FFr 1.3bn in October from a revised deficit of FFr 5.2bn in September, the ministry said.

Buchenwald meeting

Justice officials from East and West Germany met yesterday at the former Buchenwald Concentration Camp in East Germany to gather evidence in one of the most remarkable of post-World War II German trials, Leslie Collis reports.

The trial began 12 days ago in Krefeld, West Germany, of Mr Wolfgang Otto, a former ex-SS execution registrar at Buchenwald.

The 74-year-old retired teacher has denied complicity in the murder of 41 years ago of Ernst Thaelmann, the legendary pre-war German Communist leader.

Immigrants poll

Unemployed immigrants should be sent back to their countries of origin, according to 43 per cent of a sample of French people questioned on immigration in a poll published in Figaro yesterday, AP reports.

The figure was 3 per cent less than a year ago, and 53 per cent said they believed immigrants legally installed in France had the right to remain.

Sakharov film

Mrs Yelena Bonner, wife of the Soviet dissident Andrei Sakharov, is outraged over a secretly-made Soviet film taken in Gorky showing her and her husband, her son-in-law said, Reuters reports.

The film purports to show Dr Sakharov criticising US Star Wars space defence plans in a discussion with a doctor, the West German newspaper, Bild, said.

David Buchan and Aleksandar Lebl report on a new economic era

End of term in embattled Belgrade

THERE IS a definite end-of-term feeling in Belgrade at present, although no one is actually throwing caps in the air. The first half of next year will see both the advent of a new "head prefect" or Prime Minister, and the departure of a stern "schoolmaster," the International Monetary Fund, which has supervised the Yugoslav economy for nearly six years.

After a rocky year that has seen the hard currency current account surplus fall by a third to \$406m in the first nine months and inflation hit a record 80 per cent, many Yugoslavs are wondering whether there are not different and better policies with which to boost growth and curb inflation in 1986.

At the same time, most Yugoslavs do not deny the positive achievements of Prime Minister Milka Planinc and her IMF-backed policies. The current account has swung from a substantial deficit of \$1.6bn in 1982, the year she took office, into surplus and stayed in the black for the past three years. The surplus is of course not enough to service the country's \$18bn debt without rescheduling. But with IMF backing, Yugoslavia has obtained relief from 1989 on debt payments to Western commercial banks, and is rescheduling, without too much argument, debts to Western governments year-to-year.

Meanwhile, Mrs Planinc has done her bit to put the country's financial house in better order. Her efforts culminated in parliamentary approval last week of three new laws governing trade and debt.

The main aim of these laws is to forcibly recreate the foreign exchange market that collapsed during the financial crisis in the late 1970s. If some 90 implementing amendments are passed in time to give the new laws effect, Yugoslav exporters from January 1 will have to surrender 100 per cent of their foreign exchange earnings to banks, which will sell the proceeds onto the foreign exchange market.

The existing right of companies to retain around 40 per cent of their export earnings will disappear, as will their foreign exchange bank accounts.

In theory, companies will have free access to the foreign exchange market when they want to import, but in practice, this access will be heavily regulated by a new system of import rights. The rights will be calculated for companies by their banks on the basis of what goods are to be imported and the past export/import performance of the companies themselves. Federal approval will be required for any new foreign borrowing.

Sceptics, and they include the IMF, fear the new laws may rob exporters of incentive and create a less flexible allocation of scarce foreign exchange than the old semi-legal "grey market" in foreign exchange between companies.

Perhaps the main achievement is political. The new laws uphold that fragile Yugoslav concept of a national market, and show that political heads in the country's eight republics and provinces can be banded together to produce consensus.

If the new laws take hold—and are not mired in endless



Mrs Milka Planinc—putting the house in better order

bickering about their implementation—economic growth in 1986 and beyond may be more soundly based, and it is faster growth that virtually all Yugoslavs now say they want.

Cuts in domestic demand of 2 per cent in 1982, 5 per cent in 1983, 3 per cent last year and 10 per cent in the first ten months of this year have caused rising discontent and a sudden 40-50 per cent increase in strikes this year.

Growth in the troubled export sector will probably not be enough to increase gross national product by more than 1 per cent this year.

The great paradox—and failure of the IMF strategy, its Yugoslav critics say—is that notwithstanding the cuts in

domestic demand and ever tighter monetary policy, inflation has soared.

The explanation is that Yugoslav companies bypass banks by going into debt with each other, and individual Yugoslavs have sources of income and foreign exchange (from tourism and remittances) over which the Belgrade authorities have little or no control.

Few in authority in Belgrade can change these facts of Yugoslav life so there is a growing mood to change the inflation strategy instead.

The Planinc Government has never liked the IMF's insistence that interest rates should match inflation. It is now bowing to the popular Yugoslav view that high interest rates are an engine rather than a reflection, of high inflation.

Mr Borislav Srebic, a vice premier responsible for the economy, said Yugoslavia would be pressing in talks with the IMF this week for all short-term interest rates to be decoupled from the inflation rate.

Whether it can persuade the IMF or not becomes increasingly irrelevant, as next May approaches. This is when the IMF standby programme ends and the four-year term of the Planinc Government runs out.

The person tipped to succeed Mrs Planinc is Mr Branko Mikulic, a Bosnian who made his name pouring investment into Sarajevo for the 1984 Winter Olympics. His republic is noted for "hands-on" economic management by its politicians, and the onus are for a sharp change in economic policy next year.

New hurdle for Italy's finance Bill

By James Burton in Rome

ITALY'S finance Bill and budget for 1986 which are aimed at increasing government revenue by raising charges for state-provided services and at holding down the public sector borrowing requirement, yesterday began what promised to be the difficult process of obtaining the approval of the Chamber of Deputies, the lower house of Parliament.

The Finance Bill was finally approved by the Senate, the upper house, late on Monday night, with its outlines more or less intact, despite a parliamentary battle that lasted more than a month.

The Finance Bill should by law be approved by the end of the year, but there are serious doubts as to whether this will be possible this year.

This is the cause of the few days of parliamentary debating time left and the opposition to many provisions of the finance Bill both from the Communist Party, and from within parties who form Mr Bettino Craxi's five party coalition.

If the finance Bill is not approved by the end of the year, the Government will be financed on a rigid month-by-month system based on the previous year's expenditure figures.

The finance Bill is aimed at holding the public sector borrowing requirement for 1986 at L110,000bn (£43bn). The deficit for this year is expected to come to L106,700bn, so that allowing for inflation running at nearly 9 per cent a year, next year's deficit would, if achieved, represent a decline in real terms.

Meese warns on terrorists

THE US Attorney-General, Mr Edwin Meese, yesterday called for increased co-operation and more concerted action to fight international terrorism, Patrick Blum reports from Vienna.

Mr Meese said that the growth of terrorism posed a challenge to Western democracies but warned governments against engaging in "similar activities."

"The sad reality is that terrorist groups in Africa, in the Middle East, in Europe and in Central America are in common cause against Western society," he declared.

Portugal Government faces poll test

BY DIANA SMITH IN LISBON

SOME 7.6m Portuguese voters will this Sunday elect their municipal and borough representatives for the next three years.

The 1985 local elections are particularly important. They come on the eve of accession to the European Community which will provide financing for major, long-delayed improvements to local infrastructures, industry and agriculture.

Though local elections traditionally attract a smaller turnout than legislative or presidential polls, the results are seen as a popularity test for a government.

The month-old minority Social Democrat administration of Prof Anibal Cavaco Silva now faces its first major trial by the electorate.

In many constituencies in the south, Social Democrat and Socialist municipal candidates have teamed up, hoping to oust solidly-entrenched Communist local governments which, despite the anti-EEC posture of their party, are understood to have submitted many projects for EEC funds.

Where they run on their own, the Socialists hope to regain some of the ground sacrificed through a humiliating loss of

over 1m votes in the October legislative elections, when the Democratic Renewal Party (PRD) sprang from nowhere to take almost 18 per cent of the vote at the Socialists' expense.

PRD leaders hope for at least 6 per cent of the vote. The Socialists want to rise above the 21 per cent they scored in October—their lowest share ever of the polls.

Obstacles to Walesa passport

The Polish Government said yesterday that investigation into the activities of Mr Lech Walesa, leader of the banned Solidarity union movement, posed serious obstacles to granting him a passport to travel abroad, Reuters reports.

Nor would the authorities guarantee that Mr Walesa could return to Poland if he left the country as such assurances were never given to anyone, Mr Jerzy Urban, the Government spokesman, said. Mr Walesa is under investigation for alleged involvement in planning a strike

From tomorrow, Lebanon is changing its telephone numbering system.

British Telecom International has been recently informed by the Minister of Post and Telecommunications in Lebanon of changes to their telephone numbering system.

At 10.00 Hrs GMT on Thursday 12th December 1985, a new system of area codes is being introduced.

The old way of dialling Lebanon:

International Code 010	Country Code 961	Subscriber's Number (6 digits)
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The new way of dialling Lebanon:

International Code 010	Country Code 961	New Area Code (see below)	Subscriber's Number (6 digits)
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The new area code you require will be one of the following:

Beirut and suburbs	AREA CODE 1	South Lebanon	AREA CODE 7
Mount Lebanon North	AREA CODE 4	Beqaa	AREA CODE 8
Mount Lebanon South	AREA CODE 5	Kesrwan and Jbeil	AREA CODE 9
North Lebanon	AREA CODE 6		

If you require any additional information on these changes, dial 100 and ask for Freefone BTI. You will receive more details in the post.

Alternatively, if you are still not sure what to dial or are having difficulty getting through on a particular number, dial 158 and the International Operator will be pleased to help.

Please, however, bear in mind, that there are considerable technical difficulties within the Lebanese network and you may have trouble getting through, even though you are dialling the correct number.

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EUROPEAN NEWS

Science ministers agree 5-year research budget

BY PAUL CHEESERIGHT IN BRUSSELS

THE EUROPEAN Community is to spend Ecu 145m (\$128m) over the next five years on research programmes in environmental protection and basic raw materials, science ministers meeting in Brussels agreed yesterday.

The figure was reached after France, West Germany and the UK between them had whittled down Commission proposals for spending Ecu 210m. The discussion showed that the feeling of co-operative endeavour which had been evident at the recent Luxembourg summit does not extend to expenditure.

The three economy-minded countries are all net contributors to the Community budget.

The desire to scrutinise closely all new spending was also manifest in discussion on the budgetary problems of the Joint Research Centre, a Community facility used

mainly for nuclear research at sites throughout Italy, Germany, Belgium and the Netherlands.

The centre, on an Ecu 700m budget for 1984-87, complains that it will run out of funds because of rising costs unless an extra Ecu 87m is found. The Commission's way out of the problem, greeted with scepticism by ministers, who will look at the situation again later, is to bring forward a new programme and make some operating economies.

Of the two new programmes, that on the environment will run from 1988 to 1990. In addition to sectors such as climatology and air pollution, it will initiate work on how to prevent disasters like Bhopal. It will cost Ecu 75m.

The raw materials programme will last a year less and cost Ecu 70m. It is designed to define more closely the properties of materials

MEPs waver over EEC reforms

By Quentin Peel

MEMBERS OF the European Parliament were wavering yesterday in their erstwhile determination to reject the modest package of EEC reforms approved at last week's Luxembourg summit, seeking instead to postpone a clash with the member-states.

The outcome of a vote to be held today on the measures, intended to strengthen and streamline the Community institution including the Parliament, was last night too close to call.

The MEPs still appear set, however, to challenge the Council of Ministers over the EEC budget for 1986. They want more money for social and regional spending, and more for the two new member states, Spain and Portugal, after they join on January 1.

Both key issues will come to a head today, when the MEPs vote on the Luxembourg reform package, and meet the Budget Ministers for last-minute negotiations over their spending plans.

Outright rejection of the reforms could effectively block the whole effort to amend the EEC constitution—the Treaty of Rome—after three months' laborious negotiations by top national officials, Foreign Ministers, and the EEC leaders themselves at their summit last week.

Italy has linked its acceptance of a package to a favourable reaction from its own and the European Parliaments and no treaty amendment is possible without the unanimous agreement of all member-states.

At the other end of the spectrum, the Danish Parliament is threatening to reject any package which erodes national sovereignty.

Yesterday, several political groups in the European Parliament appeared intent to postpone a clash with their governments on the issue, at least until after next week's meeting of Foreign Ministers seeks to tie up the loose ends.

The institutional affairs committee of the Parliament has attacked the limited powers intended for the Strasbourg assembly, which would give them a chance to amend EEC legislation in a few specific areas, while leaving the final say with the Council of Ministers. The MEPs want full powers of joint decision-making.

The committee has called for outright rejection of the package, but amendments tabled by the powerful Christian Democrats group, the British Conservatives and French Gaullists would temper the motion.

One possible protest considered by the most enthusiastic reformers would be to reject the 1986 budget, but that overt linkage was being ruled out yesterday.

Nonetheless, the MEPs are fighting to increase the Ecu 32.7bn (£20.3bn) draft budget approved by the Ministers by adding more than Ecu 700m, mainly for social and regional spending.

The Budget Ministers meet today for a conciliation process with the Parliament, and the MEPs are supposed to vote on the final document on Thursday.

If they reject the Council's efforts to control spending, the EEC could end up once again with a disputed budget.

The other danger would be a failure by all 10 national parliaments to approve an increase in EEC contributions before January 1, when they are supposed to go up from the present 1 per cent VAT ceiling to 1.4 per cent. Several have yet to ratify the agreement.

Rupert Cornwell interviews West Germany's Finance Minister

Stoltenberg is not for turning

"WE ARE strengthening our growth, and we're going to raise our imports considerably. Yes, we're conscious of just how important the German economy is."

"But we don't want to over-reach ourselves, and be pushed into a role which is beyond our ability to fulfil."

Thus, in a nutshell, the present philosophy of Mr Gerhard Stoltenberg, the man who presides over the most enviable economic performance of any leading industrialised nation—indeed, with little doubt, of any nation anywhere. Not surprisingly, he intends to keep it that way.

Mr Stoltenberg, cool and unflappable, has been West Germany's Finance Minister since the Centre Right coalition of Chancellor Helmut Kohl came to power in October 1982.

Since then the country has achieved steady, if unspectacular expansion, cut inflation and the budget deficit to next to nothing, and built up trade and current account surpluses unprecedented in its history.

At home, opinion polls show the policies and their author are increasingly appreciated, as the rewards of virtue—an estimated 3 per cent rise in real private consumption in 1986—percolate through to individual pockets, nicely in time for the general election early the following year.

Abroad, though, feelings are more mixed. Success, as other Bonn Finance Ministers have found out, can be too much of a good thing.

Already the "locomotive theory" of yesterday is being trundled out of the sidings again—whereby West Germany and Japan should now haul the world economy forward, as the US pauses to bring its trade and budget deficit under control.

But the "locomotive" enthusiasm will be disappointed. For as Mr Stoltenberg had made repeatedly clear, this gentleman is most definitely not for

turning.

Part of the explanation lies in the unhappy experience of West Germany the last time it agreed to such a role, in 1978.

Then, it reaped little in terms of growth and much in terms of extra inflation. "We still haven't forgotten that. Nothing good came out of it for us, nor for anyone else."

But Mr Stoltenberg also feels that Bonn is already doing its bit. "Growth next year will be 3, perhaps 3.5 per cent in real terms."

Many experts are even more optimistic—and if they're right, then West will have the fastest growth in West Europe, faster perhaps than the US," he says.

"That would be a very good West German contribution to the world economy too."

The corollary is crystal clear. For the umpteenth time, Mr Stoltenberg rejected any "artificial" stimulus to the economy.

He even rejected the combination of the staggered two-stage DM 20bn (£5bn) of tax cuts due in 1986 and 1988, as many outside experts advocate.

"The priority of our tax and fiscal policy," he insists, "is low interest rates and a stable monetary environment, because that's the best way of getting a sustained, long upswing."

Hence, the careful series of tax cuts, stipulated into the future: DM 11bn next year, DM 9bn in 1988, and sometime thereafter a simplification of income and corporation tax which could be worth, in net terms, as much again.

But what of those two issues of more immediate concern to a foreign audience: those surpluses, and a D-mark exchange rate which, despite a 14 per cent appreciation against the dollar since the "Big Five" meeting in New York of September 22, remains remarkably stable against other EMS currencies.

In defiance of the so-called "fundamentals" Mr Stoltenberg is little moved by criticism, voiced by ex-Chancellor Helmut Schmidt



Mr Gerhard Stoltenberg

"There are no secret central bank talks over interest rates, but dollar rates are still too high, despite a small recent decline."

"If the politicians in Washington take the necessary decisions on the budget, then you have the chance of lower interest rates and a stable realistic exchange rate for the dollar. Then the US foreign trade balance can improve."

But what of other countries, who complain that an undervalued mark is permitting Bonn to accumulate such surpluses (the trade balance might be up to \$40bn in the black in 1986, according to some estimates) at their expense?

The Finance Minister concedes that of late, the "fundamental" virtues of low inflation (expected to be 2 per cent or less next year) and a strong external position have been having less impact than they might.

But although he will not be drawn into direct speculation on the mark's future exchange rate, the underlying message is clear: that an appreciation would not be looked on unkindly in Bonn.

"The forecasts are that we'll have a current surplus next year of between \$15bn and \$20bn, around 2 per cent of GNP; and certainly, at the start, a cautious budgetary policy kept domestic demand down. That was unavoidable."

But next year, the rise in private consumption will generate a substantial rise in imports, "because consumer goods are where imports have the biggest share of the market."

"So we're not looking to steadily growing surpluses over a period of several years," Nor, he claims, have Bonn's trading partners, in particular the US, expressed irritation about the way things are going.

Rather, Mr Stoltenberg emphasises that in the longer term a more competitive exchange rate for the dollar against the D-mark and other currencies must depend on the US acting to get its budget deficit, and hence interest rates down.

Gaullists favour cross-border share links

By David Marsh in Paris

FRANCE'S neo-Gaullist RPR opposition party has come out in favour of allowing big nationalised companies to cement international accords in areas like telecommunications through cross-shareholding deals with other European groups.

Mr Michel Noir, the RPR's industrial spokesman, tipped as a candidate for Industry Minister in the event of a big Opposition victory in the general election next March, also moved yesterday to calm fears among nationalised groups that progressive denationalisation could weaken their ability to raise fresh capital.

Industrialists say heavy sales on the bourse of the state's stakes in French industry and banking could swamp the market with paper that the groups would be unable to raise urgently-needed new capital through rights issues.

Mr Noir told journalists yesterday that the RPR would take a "pragmatic" line over denationalisation. It would allow the companies themselves to work out the best way of bringing in private capital into their shareholding structure.

Mr Noir said nationalised companies were generally under-capitalised compared with their US, German or Japanese competitors. They would be able to give priority if necessary to raising fresh capital rather than simply selling off state stakes.

He said the French financial markets would probably be able to absorb issues of more than FF20bn (£1.86m) a year for both types of transaction. Mr Noir said he would be in favour of cross-shareholding accords between companies such as CGE and Siemens.

Date set for appeal by leaders of Solidarity

THE POLISH Supreme Court will hear an appeal next month by three Solidarity leaders who were sentenced to prison after being convicted of inciting public unrest and illegal union activities, AP reports from Warsaw.

The government spokesman told a Warsaw news conference that the appeal hearing for Adam Michnik, Wladyslaw Frasyniuk and Bogdan Lis would take place on January 14 and 15 before the Supreme Court in Warsaw.

Lis was sentenced to 2½ years in prison, Michnik to three years and Frasyniuk to 3½ years by a provincial court in Gdansk in June after being convicted of inciting unrest

by calling for a protest strike over food price rises last February. The strike was subsequently called off.

The Supreme Court can overturn the convictions or order that the sentences be reduced. It can also uphold the original verdict or order the sentences to be increased.

The verdicts were criticised by western political leaders and the Pope, a native of Poland.

The trial was one of the most important political trials in Poland since the December 1981 martial law crackdown that suppressed the Solidarity free trade union. It was marked by sharp clashes between the three defendants and the judge.

Euro-MP resigns to face jail

MR ENZO TORTORA, an Italian Member of the European Parliament who was convicted for belonging to an underworld organisation, resigned his seat yesterday, saying: "Today I am choosing to go to prison." AP reports from Strasbourg.

Mr Tortora, an Italian television personality, was sentenced to a 10-year jail term earlier this year as a

member of the Naples "Nuova Camorra Organizzata." He is also facing prosecution for his behaviour during the trial.

In announcing his resignation on the floor of the parliament, Mr Tortora said, "My departure is in the name of consistency." He has maintained his innocence and said he is a "scapegoat" of Italian justice.

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Bank of Scotland	11 1/2%	National Bk. of Kuwait	11 1/2%
Banque Belge Ltd.	11 1/2%	National Giro Bank	11 1/2%
Barclays Bank	11 1/2%	National Westminster	11 1/2%
Beneficial Trust Ltd.	11 1/2%	Northern Bank Ltd.	11 1/2%
Brit. Bank of Mid East	11 1/2%	Norwich Gen. Trust	11 1/2%
Brown Shipley	11 1/2%	People's Trust	12 1/2%
CL Bank Nederland	11 1/2%	PK Finance Int. (UK)	12%
Canada Permanent	11 1/2%	Provincial Trust Ltd.	11 1/2%
Cayzer Ltd.	11 1/2%	R. Raphael & Sons	11 1/2%
Cedar Holdings	12%	Roxburgh & Sons	12%
Charterhouse Japhet	11 1/2%	Royal Bank of Scotland	11 1/2%
Citibank NA	11 1/2%	Royal Trust Co. Canada	11 1/2%
Citibank Savings	11 1/2%	Standard Chartered	11 1/2%
City Merchants Bank	11 1/2%	TCB	11 1/2%
Clydesdale Bank	11 1/2%	Trustee Savings Bank	11 1/2%
C. E. Coates & Co. Ltd.	12%	United Bank of Kuwait	11 1/2%
Comm. Bk. N. East	11 1/2%	United Mizrahi Bank	11 1/2%
Consolidated Credits	11 1/2%	Westpac Banking Corp.	11 1/2%
Continental Trust Ltd.	11 1/2%	Whitehall Ltd.	12%
Co-operative Bank Ltd.	11 1/2%	Yorkshire Bank	11 1/2%
The Cyprus Popular Bk.	11 1/2%		
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First Nat. Sec. Ltd.	12 1/2%		
Robert Fleming & Co.	11 1/2%		
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Grindlays Bank	11 1/2%		

Spanish tycoon to stand trial for fraud

THE TYCOON who founded what was once Spain's largest private business group, is to stand trial on charges of fraud in connection with his former Rumasa business empire, Reuters reports from Madrid.

Judge Luis Larga ruled yesterday that Mr Jose Maria Ruiz Mateos, 54, would face charges of fraud. Mr Ruiz Mateos was extradited from West Germany on November 30 and sent to a high security jail outside Madrid.

He was held on two charges of accounting fraud, the only offence for which he can be tried under the extradition order. These carry a maximum six-year sentence. Mr Ruiz Mateos has denied the charges.

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OVERSEAS NEWS

Sudan
cancels loan
agreement
with IMFBy John Murray Brown in
Khartoum

SUDAN'S loan agreements with the World Bank and two leading Arab funds, one Saudi and one Kuwaiti, have been cancelled, according to Mr Abdel Magied, the Finance Minister.

Mr Magied quoted in the press yesterday, said "negotiations with the World Bank in Washington had stopped as a result of last week's Cabinet meeting" in which economic reforms agreed with the IMF were categorically rejected by ministers. Mr Magied's statement was confirmed by the World Bank representative in Khartoum.

Agreement with the IMF is a necessary first step in paying the Sudan's \$9bn external debt to governments and commercial banks. However, IMF officials are said to be adamant that Sudan's arrears with the Fund, currently exceeding \$130m, should first be settled before a rescheduling.

Meanwhile, delegates of the Arab funds left Khartoum last week without reaching agreement on a possible \$700m loan, unhappy over the Cabinet's decision. The Saudis, Sudan's largest source of bilateral finance, are said to be reluctant to act without IMF approval. Saudi Arabia is a board member of the IMF.

With the debt crisis continuing, a meeting set for January 2 for all the Arab funds looks likely to be postponed.

INDIAN PREMIER ASKS WHAT USE IS MADE OF ENRICHED URANIUM OUTPUT

Gandhi challenges Zia over nuclear bomb

BY JOHN ELLIOTT IN NEW DELHI

PAKISTAN was challenged yesterday by Mr Rajiv Gandhi, the Indian Prime Minister, to convince him it was not making a nuclear bomb by providing details of the use it is making of the enriched uranium being produced in the country.

Mr Gandhi issued this challenge a week before President Zia of Pakistan, who is now visiting Sri Lanka, meets him in New Delhi next Tuesday for what are expected to be the most intensive talks yet to take place between the two leaders. He coupled it with remarks which dramatically illustrated the change in India's foreign policy towards its neighbours since Mr Gandhi succeeded his mother, Mrs Indira Gandhi, 13 months ago.

"Our basic objective is not

to be a dominant power in the region. Our basic objective is to be friends with Pakistan, to reduce tension in the area so

that both our countries can get down to working for our peoples instead of building up vast armies that face each other

initiatives were agreed when Mr Gandhi visited London two months ago. Major orders from the UK were delayed earlier this year because of India's unhappiness about the Sikhs' activities.

The person is understood to be Mr Gurnee Singh GILL, who is called prime minister of the Sikhs' London-based "Government of Khalistan," the name given by extremist Sikhs to the independent state of Punjab they want created in northern India.

across the border. I think we are making some progress on that," he declared at a meeting with foreign journalists.

Asked how Pakistan could convince him it was not making a bomb, Mr Gandhi said: "We have been talking about this and may be the first thing they could convince us about is where all the enriched uranium is going because they don't seem to have any ostensible use for it. That is really the starting point. If we knew where it has gone, there is no other problem."

This is the first time that India has named a specific way in which the dispute between the two countries over nuclear weapons could advance. The remark could embarrass Pakistan which is widely

believed to be developing a bomb and can be seen as a response to five proposals made by President Zia for both countries to sign a non-proliferation treaty or agree to international safeguards or mutual inspections. India is opposed.

Mr Gandhi rejected an accusation made by President Zia last month that India had the capability to drop a nuclear bomb on Pakistan. "We don't have a bomb," he declared. He hoped India would not have to decide whether to produce a bomb in response to Pakistan.

Mr Gandhi also announced that he and President Ershad of Bangladesh had agreed to tackle the problems of insurgencies among tribal communities of north east India on the



Mr Gandhi: "We don't have a bomb"

Bangladesh border. India was also prepared for the first time to hold joint talks with both Bangladesh and Nepal on a long-standing dispute concerning rights to the waters of the River Ganges.

Syrian
Premier
visits
Amman

The reconciliation between Syria and Jordan developed further yesterday with a visit to Amman by Dr Abdul Raouf al-Qasbi, the Syrian Prime Minister, writes Our Middle East Staff. He held immediate talks with King Hussein of Jordan, who is expected to visit Damascus within the next few weeks.

The two countries have been bitterly opposed over both the Palestinian issue and the Gulf War between Iraq and Iran. In the past three months King Hussein has expressed great disappointment at the policies of Mr Yasser Arafat, chairman of the Palestine Liberation Organisation, and by drawing closer to Syria is providing himself with greater freedom to manoeuvre.

Marcos running mate

President Ferdinand Marcos of the Philippines yesterday said he would announce his vice-presidential candidate today for February's elections, agencies report from Manila. Armed forces chief Gen Fabian Ver said he would complete reorganisation of the military by the end of this month but that he has other security missions "to accomplish before his return. Thousands of demonstrators rallied in Philippine cities to mark UN Human Rights Day. Manila police said 6,000 people marched towards the presidential palace but were stopped by police barricades.

Iran 'not responding'

The Saudi Foreign Minister, Prince Saud al-Faisal, has said Iran is not responding to efforts to end the five-year-old Gulf War with Iraq, the official Saudi Press Agency reported. Reuter writes from Riyadh. Prince Saud made the remark last night following talks here with Mr Ali Akbar Velayati, the Iranian Foreign Minister, who ended a two-day visit and left for Abu Dhabi.

"We did not detect any development of the Iranian stand to give the impression of a positive move to end this destructive war," Prince Saud said.

Chinese visit to Iraq

Wu Xueqian, China's Foreign Minister, was due to arrive in Baghdad last night for a three-day visit at the start of a Middle East tour that will also take him to Jordan, Syria, Egypt and the United Arab Emirates, Reuter writes from Baghdad. His trip continues a drive by Peking to consolidate ties in the region which has already seen visits by Tian Jiyun, a vice-premier, to North African Arab states in October and to Oman, the UAE and Kuwait last month by Yao Yilin, another vice-premier.

Central bank warns on Pakistan economy

BY MOHAMMED AFTAB IN ISLAMABAD

PAKISTAN is living beyond its means and the state of the economy appears to be worsening, the country's central bank has warned in its annual report. Pointing to the Government's budget deficit, the widening gap in the balance of payments and the substantial imbalance between investment and savings, the bank says that the failure to increase export earnings is a matter for serious concern.

The bank identifies the key domestic culprit as the Government's budget deficit, which rose 40.6 per cent in the year to June, 1985, to an all-time high of Rs 38.3bn (£1.6bn). The rise follows a shortfall in revenues owing to reduced imports after new customs duties were imposed and a substantial increase in unproductive expenditure,

mainly in the state sector. The Government resorted to deficit financing of Rs 18.3bn—the highest in the nation's history. Mr Mahbubul Haq, the new Finance Minister, has promised "zero deficit financing" in 1986-87 in view of public protest at its adverse effects on the economy.

"The foreign exchange reserves bore the brunt of higher budgetary deficit financing," says the bank's report. The rate of monetary expansion however was maintained at 11.8 per cent—the same as in the previous year. The state bank applied credit restrictions on commercial bank lending to private business and the state sector, in order to curb excessive expansion. The bank also focusses its

criticism on the low ratio of domestic savings, which at 3.9 per cent of gross domestic product declined from 4.3 per cent in the previous year. Savings in the state sector declined to Rs 1.9bn in 1984-85, from Rs 8.6bn in the previous year.

Gross total investment in the economy, at current prices, rose 15.2 per cent, an improvement on the 10 per cent rise in the previous year. Agriculture showed 9.9 per cent growth from a 6.1 per cent decline in 1984-85, a wide range of manufactured goods and carpets fell sharply. Imports were down 27 per cent to \$5.9bn.

The central bank points out as an intensified pressure on the balance of payments. The current account deficit rose sharply from \$997m in 1983-84

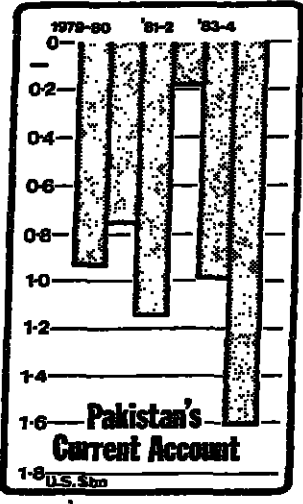
of the country, growth of industrial production would have been significantly higher," the report notes. The projection for next year is a rise of 8.7 per cent.

The bank is particularly worried about the failure to capitalise on this improvement by exporting surplus production. Merchandise exports at \$2.4bn were 7.3 per cent lower than last year, as the international market prices of rice, cotton fabrics, a wide range of manufactured goods and carpets fell sharply. Imports were down 27 per cent to \$5.9bn.

The central bank points out as an intensified pressure on the balance of payments. The current account deficit rose sharply from \$997m in 1983-84

to \$1.6bn in 1984-85, mainly because of reduced exports and smaller remittances from Pakistani workers abroad. Foreign exchange reserves declined to \$1.2bn in June, 1985 from \$2.5bn a year earlier, and have now fallen to \$700m.

There are no prospects of an increase in remittances, which are declining as Pakistanis have started to return from the Middle East, the bank warns. "The solution lies in stepping up merchandise exports to replace the remittances, to meet the needs of a growing economy and to help meet annual debt servicing costs of \$1bn on Pakistan's \$12bn foreign debt. Businessmen are not optimistic about an improvement, however as the effect of a rise



in customs duties on a wide variety of imports and capital goods has put a question mark over growth prospects in a variety of sectors.

New Zealand considers
law banning nuclear arms

LEGISLATION BANNING nuclear weapons and nuclear-powered warships from New Zealand was introduced in parliament yesterday but is not expected to be passed until mid-1986, Reuter reports from Wellington.

Mr David Lange, the Prime Minister, told parliament the move kept faith with New Zealand public opinion. The introduction of the New Zealand Nuclear Free Zone, Disarmament and Arms Control Bill overrode opposition from the US and Australia. Wellington allies in the Anzus defence pact.

The law enshrines the ban on nuclear weapons imposed in January, which led to a freeze in relations with Washington and a cut in defence ties between New Zealand and the US.

"This bill is the Government's

response to the obligation placed on it to adopt and support responsible measures of disarmament and arms control," Mr Lange said. "Every country in the world has a compelling interest in the process of disarmament and arms control. No country can abdicate its interest in that process," he added.

Mr Lange told a noisy parliament that warships seeking port access would not be asked to declare whether they were carrying nuclear warheads. Under the law the Prime Minister would have sole responsibility for granting or refusing access but could only allow a ship to dock if he was satisfied "that the warship will not be carrying any nuclear explosive device on their entry into these waters."

● Australia said yesterday it would build the world's most effective ground radar system to defend its north coast.

US may provide
\$30m to aid
Angolan rebels

By Reginald Dale in Washington
THE Reagan Administration was yesterday reported to have tentatively decided on a first instalment of less than \$30m in covert aid to the Unita rebels in Angola but to delay payment until the New Year. The hope would be to use the threat of aid to the rebels to induce the Angolan Government to the withdrawal of the 35,000 Cuban troops that are supporting it against Unita.

The Washington Post said that while the aid had not been officially authorised, an informal decision had been taken at a meeting between US Government agencies last month. It would involve "non-lethal aid" for Unita, led by Mr Jonas Savimbi, followed by military aid later on.

The US would probably continue its talks with the Angolan Government later this month following the reopening of contacts at a meeting in Lusaka at the end of last month, the Post said.

Wall Street Journal fined

BY CHRIS SHERWELL IN SINGAPORE

THE Singapore High Court yesterday fined the publishers and three senior staff of the Asian Wall Street Journal a total of \$815,000 (£349,000) for contempt caused by an editorial carried by the paper in October.

Also fined were Singapore Newspaper Services, printer of the Journal in Singapore, and the manager of the Journal's distribution agency in Singapore.

Handing down his judgment yesterday, Mr Justice Simthathuray said it was "clear beyond doubt that the article contains objectionable statements scandalising the courts of Singapore, the contempt of court being one of the worst of its kind."

The offending editorial, published on October 17, dealt with a court case against Mr J. B. Jeyaraj, one of two opposition members of Parliament, and criticised Singapore's judiciary. At a hearing last

month Mr Fred Zimmerman, the Asian Wall Street Journal's editor, apologised for "any inadvertent contempt of court" on behalf of himself and the Dow Jones Publishing Co (Asia), the paper's publishers.

At the end of the 39-page judgment, Mr Justice Simthathuray imposed a fine of \$86,000 against Dow Jones and another of \$83,000 against Mr Zimmerman.

Two staff not specifically mentioned in the original charges, Ms Melanie Kirkpatrick, features editor, and Mr Paul Giger, editorial page editor—were fined \$34,000 and \$82,000 respectively. They had submitted affidavits saying they were responsible for writing the editorial.

Singapore News Services, which is part of the local media group Singapore Press Holdings, and Mr John Tan, the Journal's distribution manager in Singapore, were each fined \$8500.

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AMERICAN NEWS

5

Shultz warns of need to contain regional conflicts

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

MR GEORGE SHULTZ, the US Secretary of State, said yesterday that if there was any real danger of a US-Soviet confrontation it was likely to originate in a crisis in some part of the developing world rather than Europe.

Mr Shultz was speaking at a luncheon of the Pilgrims' Society in London after reviewing the international situation in separate talks with Mrs Margaret Thatcher, the Prime Minister, and Sir Geoffrey Howe, the Foreign Secretary. A statement issued by Downing Street after the meeting between Mrs Thatcher and Mr Shultz said that, during wide-ranging talks, they had agreed on the need to pursue the arms control negotiations between the US and the Soviet Union "with a spirit of urgency". The Prime Minister and Mr Shultz also agreed on the urgent need "for further progress towards a Middle East settlement."

In his talks with Sir Geoffrey, Mr Shultz underlined the importance that the US attached to solving regional conflicts. The US Secretary of State told his British opposite number that it had been de-

cided at the recent summit meeting between President Reagan and Mr Mikhail Gorbachev, the Soviet leader, that their foreign ministers would discuss Afghanistan and Southern Africa at their next meeting.

Mr Shultz said in his speech to the Pilgrims' Society that it was precisely because the central military balance in Europe was stable that "the problem of our time" had become the need to contain regional conflicts.

"It is not difficult to see the advantage to Soviet foreign policy of its alliance with radical movements throughout the developing world," he said. "Even revolutionary Islam shares with other radical forces a profound anti-Western impulse."

That impulse clearly worked to the advantage of the Soviet Union, threatening moderate pro-Western governments, menacing the West's oil supply and spreading the evil of terrorism and "the gospel of upheaval."

The US on the other hand, considered that negotiated political solutions represented the best hope for lasting peace. Extremists must be resisted.

Jimmy Burns in Buenos Aires analyses the likely effects of the outcome of the human rights trial

Argentina verdicts aim for reconciliation and stability

ON HIS second anniversary as President of Argentina, Mr Raul Alfonsín was yesterday provided with an opportunity to measure again the extent of his Government's popularity.

Tuesday night's verdict in the trial of nine junta members who ruled the country between 1976 and 1982 reads like an exercise in fine judgment which the President himself could have devised.

It seeks to pursue the middle ground between the extremists in Argentine society who in the past have tried to make the human rights issue the point on which Argentina's ascent to democracy stands or falls.

At the end of the trial, which has lasted eight months, the president of the federal appeals court, Mr Leon Arslanian, accepted that when the 1976 coup took place Argentina was being terrorised by a "revolutionary war."

The methods used to fight it, however — house breaking, illegal detention, torture and murder — went beyond the limits tolerable by civilised society and involved innocent victims as well as terrorists, the court decided.

In sentencing the accused, the judges have compromised. By condemning only General Jorge Videla and Admiral Emilio Massera to life imprisonment, the judges have recognised that the bulk of human rights violations were committed by the Army and the Navy in the first two years



Left to right: Emilio Massera, Jorge Anaya, Roberto Viola, Jorge Videla, Leopoldo Galtieri and Basilio Lami Dozo

of the military regime. It has been implicitly accepted that the members of the Galtieri junta, who were all acquitted, should be mainly answerable for their involvement in the Falklands war. This is currently being dealt with in a separate trial.

Since the human rights trial began in April, more than 1,000 witnesses have filed through court. What they had to say about the 8,000 "disappeared" people, including many innocent victims, has been woven into a tapestry of horror by the prosecution which initially left public opinion shocked, and many members of the armed forces livid. These passions have now, to some extent, cooled.

By declaring some of the

evidence to be insufficient and throwing out some of the 700 cases pursued by the prosecution, the judges can claim to have acted fairly. They have rejected the defence's earlier claim that the proceedings had been planned by the Government as a political show trial, in which all nine had been condemned before they were heard.

Government officials argue that apart from boosting Argentina's international standing, the trial will make the armed forces think twice before intervening violently in the country's political life in the future.

Their version of history has been questioned since the collapse of the military regime after the Falklands defeat. The

armed forces had maintained that the 1976 coup led by Gen Videla, Admiral Massera, and Brig Gen Orlando Agosti, the Air Force leader, and the methods of repression subsequently pursued were part of a heroic crusade by the defenders of western Christian values against the threat of Marxist revolution.

Before handing over to the democratically elected government, the military regime declared an amnesty in its favour. But human rights organisations demanded a sweeping witch-hunt and a "people's trial" of the armed forces. Most people demanded only that justice be done.

The reactions of both human rights groups and the armed forces to Tuesday's verdicts

appear to have been equally adverse. Mrs Hebe Bonafini, president of the Mothers of May, the relatives' group of the "disappeared," stormed out of the court, describing the acquittals as a farce. Fewer than a thousand supporters joined her in a protest outside, however.

It is understood that the Army and, to a lesser extent, the Navy is angry with the implication of the verdicts that these two services were most responsible for human rights violations. They suspect that the Air Force has come out of the trial lightly, because of its tacit political alliance with the Government.

The verdict could thus aggravate inter-service rivalries. Within the military as a

whole, the main worry now is that the judges, far from closing the book on the human rights issue, have opened up a new and potentially more dangerous chapter. The court has recommended that investigations should continue into the actions of brigade and division commanders and some 300 to 400 middle and junior officers who are already before the courts in connection with human rights violations.

The Government privately feels that the military rather than the human rights organisations is the main focus of opposition.

The trial of the junta members was initially accepted both by the Government and the current military chiefs as an essential move, to draw a line between past and present military activity and enable the armed forces to turn their backs on their political past and play a more professional role.

Now that the trial is over, the Government is relying on its parliamentary strength to launch a law in Congress early next year in defence of "national reconciliation." This would confine further human rights trials to a handful of officers.

Thus the Government hopes military discipline could be consolidated, the human rights nightmare finally laid to rest and political stability become a reality at last.

Editorial Comment, Page 16

Congress negotiators set to back budget reform plan

BY REGINALD DALE, US EDITOR IN WASHINGTON

HOUSE and Senate negotiators were yesterday expected to endorse a radical plan to eliminate the US budget deficit by 1991, clearing the way for passage by both full houses of Congress. Then negotiators were reported to have overcome a last-minute snag over defence spending that held up final agreement on Monday night.

Nevertheless, Senator Robert Dole, the Senate Republican majority leader, said Congress would probably need to pass another short-term extension of the national debt ceiling today to allow work to be completed on the complex deficit-reduction package, the so-called Gramm-Rudman plan.

The plan is attached to legislation raising the national debt ceiling from \$1,800bn (£1,225 bn) to just over \$2,000bn. Without any increase in borrowing authority, the Treasury has said that it will run out of cash at midnight tonight.

President Ronald Reagan's position on the deficit reduction package was still unclear yesterday. After a White House meeting, members of Congress

said that Mr Reagan was still generally in favour of the plan, but was also still seeking greater flexibility on defence spending. The plan would require the President to order automatic spending cuts if Congress did not meet progressively declining deficit targets.

Mr Reagan, meanwhile, was yesterday keeping up the pressure to keep tax reform legislation alive in the House of Representatives, where a key vote is expected this week. House Republican leaders said that they still planned to defy the President's wishes by voting against a democratic tax proposal on which Mr Reagan is relying to keep the reform process from petering out.

The Democrats will need some Republican votes to pass their proposal, for onward transmission to the Republican-controlled Senate, where Mr Reagan wants to "improve" it. House Republican leaders, however, warned yesterday that the Democratic version could lead to a short-term economic slowdown, according to Mr Beryl Sprinkel, chairman of the President's Council of Economic Advisors.

Concern grows over leadership at World Bank

By Stewart Fleming in Washington

CONCERN is growing in Washington about the apparent leadership vacuum at the World Bank, which funds Third World development projects, as it faces up to the challenges presented by its expanding role.

Mr Tom Clausen, the Bank's president, announced in October he would retire when his term of office expires next June.

Speculation about his successor—to be nominated by the US—focuses on Mr Richard Dobs, a former chief operating officer at the New York Federal Reserve Bank and now president of Morgan Stanley International, Mr Jack Hennessy, president of Credit Suisse First Boston, and Mr Martin Midland Bank of Buffalo, New York.

The choice is important for the US Treasury given the decision by Mr James Baker, Treasury Secretary, that the World Bank must play a bigger role in trying to help to resolve the Third World debt problem.

Soviet Union and Brazil sign pact on links

THE Soviet Union and Brazil

yesterday signed an agreement to expand political dialogue and officials of both nations called for broader economic and other ties, AP reports from Moscow.

"A climate of understanding has been created between both countries, favourable for the further development of relations," Mr Olavo Setubal, Brazil's Foreign Minister, said after two days of talks with Soviet counterpart, Mr Eduard Shevardnadze.

Mr Setubal, the first Brazilian Foreign Minister to visit the Soviet Union, and Mr Shevardnadze signed an understanding to increase political co-operation. No details of the accord were released.

They also prolonged a 10-year trade agreement under which the countries exchange goods in an arrangement that currently sharply favours Brazil.

Last year, Brazil exported \$1,130.6m of goods to the Soviet Union and imported only \$56m worth.

Guyanese opposition claims fraud as PNC takes lead

BY CANUTE JAMES IN KINGSTON

THE RULING People's National Congress (PNC) took an expected early lead as counting began yesterday of votes cast in Guyana's general election on Monday.

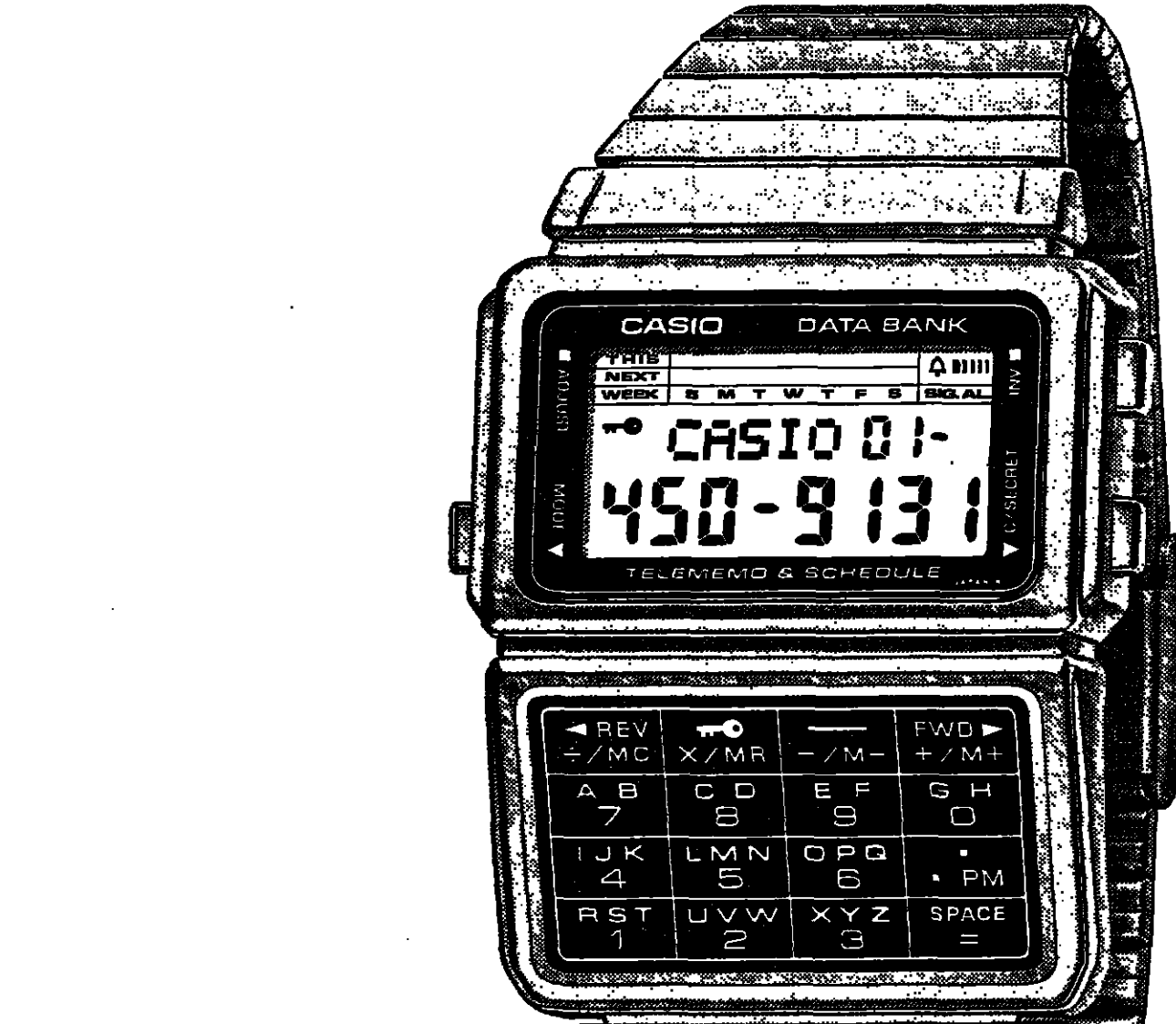
The count is being conducted in the absence of representatives of the main opposition People's Progressive Party (PPP), following the decision of its leader, Dr Cheddi Jagan, not to take part in what he has described as "a massive fraud." Dr Jagan's decision followed what he said was a physical attack on him by representatives of the ruling party at a polling station. He had been later escorted to a police station at gunpoint by men in plain clothes, he said.

The police confirmed that Dr Jagan had been detained briefly after allegations that he had assaulted the officer in charge of the polling station.

The PPP said yesterday morning it had not decided whether it would accept any seats it won in the election. The party was not pulling out of the election and was not conceding defeat.

Charges that the election was fraudulent have also been made by the other five parties challenging the PNC, which has been in office for the past 21 years. Mr Desmond Hoyte, the President, said the charges were typical of Guyanese opposition parties and were an excuse for defeat.

In the first results from the north west region, one of the 10 vote-counting centres, the elections commission reported a turnout of 65.2 per cent of the registered electorate. Of the 15,360 votes cast, the Commission said the PNC had received 12,256, the PPP 1,705, and the United Force 1,381.



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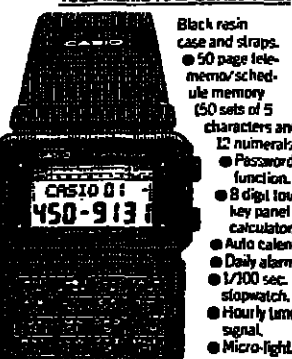
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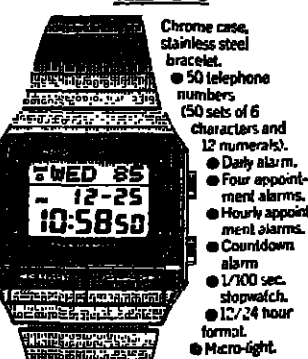
Surprisingly, even with all these features, the DBC-600 costs just £45.95 RRP. A small price to pay for a watch, let alone a complete filing system.

TELE-MEMO AND SCHEDULER

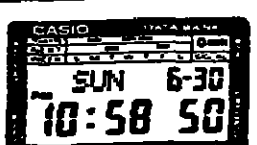


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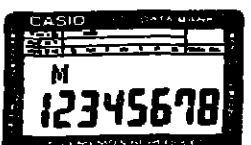
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CASIO.

WORLD TRADE NEWS

Akzo files trade complaint under new EEC rule

BY PAUL CHEESNIGHT IN BRUSSELS

A NEW European Community measure enabling EEC companies to retaliate against the unfair trading practices of other countries is being used for the first time by Akzo, the Netherlands synthetic fibres producer.

Akzo has lodged a complaint at the European Commission in Brussels claiming it is being prevented from selling aramide fibres, used in the armaments industry, to the US by action taken by Du Pont.

This triggers off a procedure which could lead to the Community taking action against the US in general or Du Pont in particular.

Within the next 60 days the Commission has to decide whether to accept the Akzo complaint. If it does, and it will keep the EEC Council of Ministers informed at every step, it will then pursue its inquiries in the US.

Should these inquiries substantiate the Akzo complaint, the EEC will ask Du Pont to drop its action against Akzo. If Du Pont refuses the Council of Ministers will then consider the question for a quick decision on retaliation.

Akzo accuses Du Pont of taking discriminatory action against it. Du Pont has sought the protection of the US Tariff Act 1930 for protection of its patent. It claims that Akzo sales in the US would be a violation of its patent.

The speed with which the Commission and the Council handle the Akzo action will provide the first evidence of the Community's enhanced ability to cope with trade complaints.

After several months of haggling about the techniques of decision-making, the Community last September brought into force what became known as the new commercial instrument.

This instrument, modelled on procedures employed in the US, seeks to give the Community a speedy way of taking action against what could be classified as the unfair trading practices of competitors both on the community and third markets.

Such practices can embrace not only difficulties of access, as in the Akzo case, but also predatory pricing and subsidised sales.

Laura Raun in Amsterdam adds: Akzo's complaint to the European Commission against the US is an effort to escalate the increasingly vitriolic decade-long battle between the two companies.

If the US refuses to modify or annul the import ban, Akzo has warned it will appeal to the US Federal Court.

The Dutch fibres and chemicals company is seeking relief under the new EEC trade measure as part of a broad assault against Du Pont involving court battles, the ITC and now the Commission. In addition the two companies have accused each other of infringing their respective aramid patents in the courts of at least five countries.

Baldrige to hold talks with Gorbachev

By Patrick Cockburn in Moscow

MR Mikhail Gorbachev, the Soviet leader, was scheduled to see Mr Malcolm Baldrige, the US commerce secretary, yesterday in his first meeting with a senior US official since the summit in Geneva last month.

Mr Baldrige, in Moscow for a meeting between 400 US businessmen and Soviet trade organisations, is believed to be carrying a letter from President Reagan to the Soviet leader.

The Soviet Union has said that it welcomes increased trade with the US as a sign of improved political relations but is wary of signing any large contracts.

Mr Boris Arstov, the new Soviet Foreign Trade minister, told US businessmen at a dinner that: "The policy of sanctions and restrictions on trade with our country has heavily damaged the reputation of US companies as reliable partners. It is not an easy thing to restore trust."

US exports to the Soviet Union totalled \$3.3bn in 1984 but most of this was grain. Soviet exports to the US were worth \$330m, mostly oil products.

There is little optimism among diplomats that the overall trade picture between the US and the Soviet Union will rapidly change because of US legal restrictions, but the Soviets are particularly interested in American oil technology.

Soviet oil production has dropped by 4 per cent this year and investment in the oil industry is to be increased unexpectedly by 31 per cent in the 1986 plan.

Much of this will be spent on a deep oil drilling programme in west Siberia, the source of more than 60 per cent of the country's oil and gas.

Jurek Martin explains how restrictions rule in an anti-litigious society

Foreign lawyers push for change in Japan

US AND EUROPEAN legal experts yesterday reacted with something akin to dismay to the latest Japanese proposals over the conditions under which foreign lawyers would be allowed to practise in Japan.

On Monday, the Japanese Federation of Bar Associations passed a resolution that appears to constitute little advance on its known conservative attitudes. Its proposals are likely to form the basis of any legislation submitted to parliament.

Three main conditions are:
● That foreign lawyers are limited to dealing in Japan with the laws of their own country, or, under certain circumstances, with those of a third country.

● That reciprocity should be applied, in that lawyers from countries which do not permit Japanese to practise would be similarly not allowed in Japan.

● That foreign lawyers should not be allowed to enter into partnerships or even employ Japanese lawyers; additionally they would be subject to the jurisdiction of the Bar Association.

In what some construed as a gesture adding insult to injury, the Association also declared that foreign lawyers should not be permitted to use the Japanese word for lawyer (*bengoshi*), but rather should be restricted to a tortuous description that makes their "foreignness" clear.

Typical of local foreign reaction was the sarcastic comment of a European community official that the latest proposals amounted to "a small step backwards." The head of the EEC delegation here, Mr Laurens-Jan Brinkhorst, was understood to be seeking an early meeting with the Justice Minister to register a formal protest.

The question of foreign legal access in Japan is complex and, outside the legal profession, has probably not so far been a prime bone of contention between Japan, the US and Europe. But the growing

An advisory panel has recommended that Government-protected Japan Air Lines be privatised and that the company's monopoly on regular international routes be ended. Japan's transport ministry said yesterday, AP reports from Tokyo.

Ministry officials said the Council for Transport Policy has submitted to Minister

Tokuo Yamashita an interim report calling for changes in government policy, which shelters the national flag carrier from competition. The proposals would open the way for Japan's other two major carriers, All Nippon Airways and Tokai Domestic Air Lines, to operate scheduled international flights.

ANA, Japan's largest domestic airline, hopes to begin flights on the Tokyo-Guang route early next year and is seeking approval to operate a Tokyo-Los Angeles flight. Under a US-Japan provisional agreement signed last May, each side is to be allowed to open three new routes across the Pacific.

five Japanese, according to one local estimate, have qualified to practice in New York.

The Japanese Bar Association's view appears to remain that until a majority of US states permit foreigners to practice, Americans cannot expect unlimited licences in Japan. This belief, however, runs up against the US Constitution, in which the rights of states are specified.

The foreign legal community in Japan is also flatly opposed to the proposal that the governing body for foreign lawyers should be the Federation of Bar Associations, rather than the Ministry of Justice.

A recent position paper by the American Chamber of Commerce in Japan stated that it was "inherently unfair... to have foreign access to any Japanese market regulated by a trade association composed of Japanese competitors."

There are divisions among Japanese lawyers over liberalisation. One school of opinion is that Japan should better understand US law and its extrajurisdictional implications, in order to be able to combat it better in international suits and in issues before multinational bodies such as GATT. But this is not, as yet, the prevailing view.

They may not plead in a Japanese court nor may they sign documents which are legally binding in Japan.

Japan remains a non-litigious society, with only about 12,500 fully licensed lawyers, against an estimated 650,000 in the US. However the growth of international trade and finance has created a demand for legal expertise that the domestic legal fraternity is hard pressed to meet.

The most intractable issues are probably those of reciprocity and supervision. Only a few US state bar associations permit non-Americans to practise. The most notable exception is New York, which the US believes should serve for comparative purposes. In fact, only about

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Senate threatens China nuclear ban

BY NANCY DUNNE IN WASHINGTON

THE US SENATE, in a surprise move, has voted to ban the export of nuclear technology to China unless Beijing agrees to permit outside verification that its purchase will be restricted to peaceful uses.

With little fanfare, the measure passed by voice vote late on Monday night, attached to an omnibus spending bill by Senator John Glenn of Ohio. The Senator, along with

company, said it has signed a 10-year trade agreement with China whereby Honeywell and its Yamatek - Honeywell, Japanese affiliate, will jointly supply China with manufacturing technology for a range of equipment in Honeywell's TDC 3000 digital process control system. AP-DJ reports from Minneapolis.

The technology transfer from Honeywell to China will begin in early 1986.

US offers way round row over pasta exports

THE US is willing to lift the tariff on pasta imports and instead tax a variety of European products exported to the US, the Italian foreign trade ministry said, AP-DJ reports from Rome.

The announcement about the so-called "spaghetti war" was made in a statement following a meeting between Dr Clayton Yeutter, US Trade Representative, and Mr Nicola Capria, the Italian Foreign Trade Minister.

Italy has complained that by heavily taxing pasta, the US has singled it out in its retaliation for what it calls discrimination by the European Community on American nuts and citrus fruits exported to Europe.

The statement said the US was willing to "unload the burden" among other European countries "so that the economic weight is equally distributed among the member states of the Common Market."

The tariff on other EEC products would not be limited to agricultural goods, the ministry said.

Mr Yeutter also met with Foreign Minister Giulio Andreotti, who said in a statement that he had urged a "more balanced approach" on the part of the US Government to commercial issues with the EEC.

Leyland wins Singapore bus chassis contract

BY CHRIS SHERWELL IN SINGAPORE

LEYLAND BUS of the UK and Walter Alexander of Falkirk have notched up a double British success by winning a months-long battle for a major bus chassis and bodywork order from Singapore.

The BL order is for 100 Leyland Olympian double-decker bus chassis with an option on a second 100. It is worth up to \$6.4m. Walter Alexander will supply 100 bodies in kit form and there is a similar option on another 100. The value is put at around \$2m.

The deal, a boost for both companies at a time when domestic orders have declined, is their second success in 30 months with the Singapore Bus Service, the island state's bus operator.

In July 1983 an order for 400 bus chassis was divided equally between BL and Mercedes Benz of West

Germany. Alexanders won the contract for all 400 bodies. BL's main competitors in the latest battle were all European - Volvo of Sweden, Mercedes-Benz and Scania, also of Sweden. Alexanders were up against BL's own coachbuilding arm, as well as others.

It had been hoped that the Singapore Bus Service, which operates a fleet of 3,000 buses and also 200 taxis, would place an order for 300 buses, as originally planned. However, the corporation decided against this after some delay. Tenders had closed in April for the chassis, and the validity of BL's offer had to be extended twice.

BL is still chasing a \$94m contract - originally worth \$285m - to revamp Bangkok's debt-ridden bus system in Thailand. It is also hoping to secure an order for 40 double-deckers in Jakarta, the Indonesian capital.

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There was now deep concern about the consequences of protectionism, he told the conference.

A more liberal trade in textiles and clothing required action in three areas, he said.

● A clear understanding that restraints would be phased out over a period of time.

● More flexibility should be introduced into the system.

● A new framework had to be created replacing the MFA with new arrangements for trade.

The West was speaking with two voices, he said. On the one

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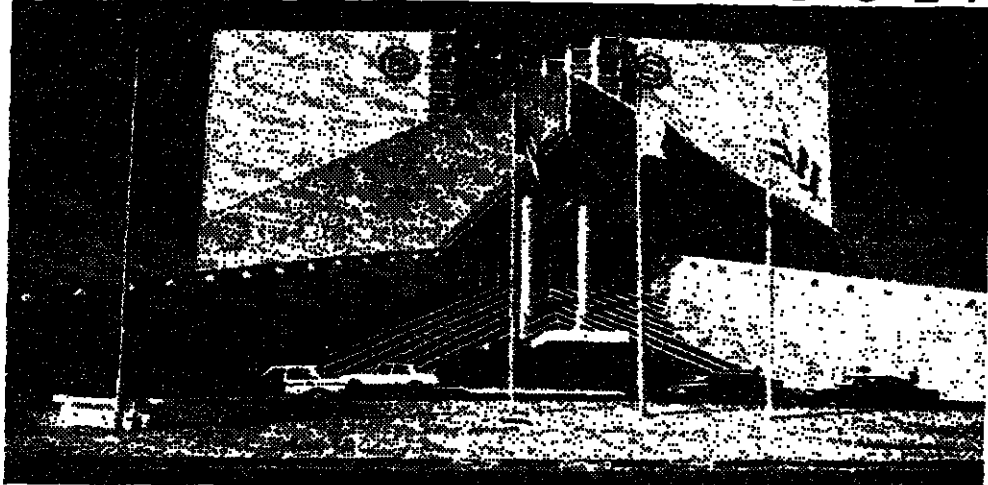
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UK NEWS

Lloyd's may release confidential papers to aid investigation

BY JOHN MOORE AND PETER RIDDELL

AUTHORITIES of Lloyd's, the London insurance market, may pass over confidential documents to the office of the Director of Public Prosecutions (DPP) in an effort to help the authorities pursue cases of alleged fraud.

Mr Ian Hay Davison, Lloyd's chief executive, said yesterday that it had been decided that "the public interest outweighs confidentiality."

Lloyd's move comes after criticism in parliament by Mr Brian Sedgmore, the Labour MP, that the Lloyd's authorities were withholding evidence.

Mr Davison said yesterday that Lloyd's had passed over to the DPP numerous documents in connection with alleged frauds totalling more than £100m in the market.

He said that bank statements, various documents, inspectors' reports and transcripts of witnesses taken in the course of investigations had been passed to the office.

But he said that the transcript of witnesses' evidence in disciplinary proceedings had not been made available.

Lloyd's by-laws, provided for confidentiality of witnesses' evidence used in disciplinary proceed-

ings. "We wish to protect their confidentiality, not to protect fraudsters," he said.

In the House of Commons yesterday the Labour Party stepped up its campaign over the regulation of Lloyd's. It made a formal request to the Government that Lloyd's should be included within the scope of the Financial Services Bill due to be published tomorrow week.

The call was made by Mr John Smith, Labour's chief trade and industry spokesman and a former Trade Secretary, in a letter to Mr Leon Brittan, the Trade and Industry Secretary. In this he said that "any public confidence there was in the capacity of Lloyd's to regulate itself has decreased to vanishing point."

He added that it was the intention of the Labour Party to move amendments to the Bill to include Lloyd's so that parliament could decide the question, "but the situation has now deteriorated to the extent that I believe the Government must take the initiative."

He hoped that the Bill would be accompanied by an announcement about the inclusion of Lloyd's.

Barclays head in plea on bank rules

By David Lascelles

A PLEA that British banking supervision should remain flexible and not jeopardise the UK banks' international competitiveness was made to the Government yesterday by Mr Peter Leslie, chief general manager of Barclays, the UK's largest bank.

His plea, the most forceful yet by a senior UK banker, comes shortly before the Treasury is to publish its White Paper (policy document) on banking supervision - probably early next week - as a prelude to reinforcing the 1979 Banking Act.

Mr Leslie, who was speaking at the Financial Times Conference on World Banking, said that while UK banks accepted the need for more effective supervision in the light of the Johnson Matthey Bankers affair and far-reaching changes in the financial markets, they were worried that the new regime could be too onerous.

Mr Bryan Gould, the Opposition Spokesman on Trade, said responsibility for banking supervision should be taken away from the Bank of England and given to a new banking agency.

Mr Leslie said that the Bank's more stringent capital requirements had already permitted Japanese banks dramatically to increase their share of banking business in London.

UK banks had several objections to proposals put forward by the Bank. They were worried that the new Banking Bill would:

- Allow many more institutions to call themselves banks, which would lead to misuse of the word.

- Give the Bank statutory powers to pass on banking information to any government department in the public interest. This weakening of confidentiality would reduce UK banks ability to compete with more secret foreign banks.

- Impose rigid limits on how much a bank could lend to any one customer.

- Disturb the relationship between a bank and its auditors by obliging auditors to pass information to the Bank.

The secret of proper banking supervision did not lie in creating a massive bureaucratic machine but in having supervisors who understand banks and banking risks, Mr Leslie said.

Conference reports: Page 9

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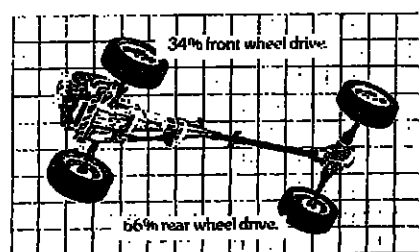
In case you're not familiar with the ABS system this is how it works. Imagine it's raining. You're forced to brake hard and swerve round an obstacle, a tractor for instance.

With ordinary brakes it would be very easy to lock the wheels and skid straight on. ABS is designed to stop that happening. The system can sense when a wheel starts to lock and release the brake on that wheel for a fraction of a second till adhesion is regained. That way you can stop far quicker than you could with your wheels locked.

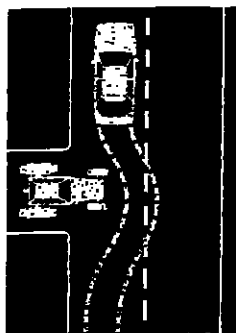
And steer safely.

This combination of four wheel drive and ABS makes the Granada 4x4 the most surefooted luxury express you could possibly imagine.

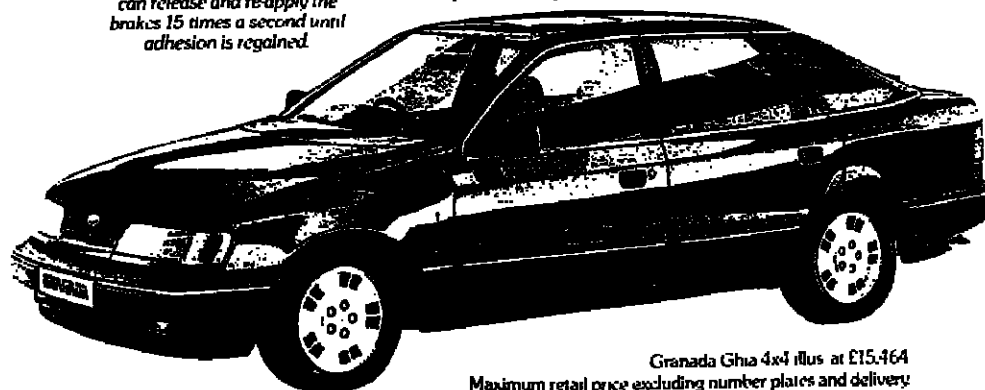
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ABS brakes. If the system feels a wheel begin to lock it can release and reapply the brakes 15 times a second until adhesion is regained.



Granada Ghia 4x4 illus at £15,464. Maximum retail price excluding number plates and delivery. Also available is the Granada Scorpio 4x4. [†] Ford computed figures.



UK NEWS

Vauxhall set for loss despite record sales

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

VAUXHALL, the General Motors subsidiary, will suffer another big financial loss for 1985 even though its car sales will reach record levels. Mr Eric Fountain, director of public affairs, said yesterday.

The loss was likely to be bigger than the £2.4m deficit for 1984. He suggested that the car price wars in Britain were mainly to blame for Vauxhall's failure to return to profit.

He said the battle had remained so severe that not one of the UK-based car producers would show a profit for 1985 - not even Ford of Britain, which so far has avoided losses.

Mr Fountain said Vauxhall had not played a leading role in the UK price wars but had had to follow its main competitors whenever they introduced special incentive schemes and offered dealers extra bonuses.

British Leyland's Austin Rover subsidiary was currently the most aggressive company and was offering the biggest incentives.

Vauxhall will end 1985 with record car sales of more than 300,000, up from 262,000 last year - and a peak UK market share of just under 17 per cent.

Next year the company expects to sell 350,000 cars for an 18 per cent market share and will be on target to reach 20 per cent by 1988, Mr Fountain said.

Vauxhall has made a net profit only once in the past 10 years: £2m in 1978.

Mr Fountain said the company suffered 164 minor unofficial disputes this year, which cost the output of 18,000 cars worth about £100m.

However, as part of the recently agreed, two year pay deal the unions have pledged there will be no more wildcat strikes. Workers

who walk off Vauxhall production lines in unofficial disputes will be replaced by others supplied by the union.

Notices to this effect are being put up by the unions at the Vauxhall plants in Luton, north of London, and Ellesmere Port on Merseyside.

Mr Fountain said this deal was one of the best in the UK motor industry and should ensure the smooth running of the plants in 1986.

The Press Association adds: With a £3m investment at Ellesmere Port creating 600 jobs, Vauxhall aims to increase the number of cars it builds in the UK from 56 per cent of its sales to 84 per cent.

The percentage of UK parts in the cars is also being increased from about 50 per cent to 60 per cent next year. Vauxhall estimates that this will be worth about £5m to UK component companies.

BL names new executive car

BY JOHN GRIFFITHS

THE EXECUTIVE car developed jointly by Austin Rover and Honda and code-named "XX" is to be called the Sterling in North America, but the Rover 800 Series in Europe and the rest of the world.

The car will go on sale in the UK in the middle of next year. A launch on the European continent will follow in the autumn.

At about the same time, Far Eastern markets will start receiving supplies from Honda, which is building the Rover model in Japan as well as its own version, the Legend (Austin Rover is

also to build both versions at new facilities in Cowley, Oxford).

The Sterling will go on sale in the US in early 1987 through an intended network of 100 dealers being set up by Austin Rover Cars of North America.

The company, formed by Austin Rover and Mr Norman Braman, a large-scale car retailer, says the first dealer appointments will be announced shortly.

Austin Rover conducted concept "focus" in New York, California and Florida before selecting the Sterling name.

Mr Trevor Taylor, Austin Rover's sales and marketing director, says it was chosen "principally because of its clear association with British quality and luxury, but also because we decided this distinctive car marketed by a new distributor organisation should bear an equally distinctive name."

The US model will be powered by a Honda V6 engine. The Rover 800 versions will use new 2-litre Austin Rover engines as well as the Honda unit.

Supervisory body called for to police City

By Richard Evans

A SUPERVISORY body for the City of London along the lines of the Securities and Exchange Commission (SEC) in the US was advocated yesterday by Mr David Steel, the Liberal leader, in place of the proposed self-regulatory codes.

Mr Steel, addressing the American Chamber of Commerce in London, said the City's great international reputation must not be allowed to be tarnished by "trickery and fraud that go unpunished."

The country would see over the next few weeks, both in Bills due to be published and the urgency of prosecution of wrongdoers, whether the Government was prepared to recognise how serious the damage already was and how much more serious it might become.

"I find myself increasingly convinced that an overall supervisory body, drawing on the example of the Securities and Exchange Commission, will be required. A mish-mash of different self-regulating bodies and codes barely seems adequate to the new City," he said.

"The City must not become a safe haven for the gunslung and cowboys of the financial world to make a killing at the expense of the small investor and insurer."

Mr Steel's concern was that the speed of change following deregulation, coupled with a raging bull market and the very substantial fortunes to be made from privatisation, had created a "rather feverish" atmosphere in the London Stock Exchange.

For the first time the possibilities now existed of serious conflicts of interest within the new financial conglomerates, which could be at one and the same time investors, brokers, jobbers and bankers.

Mr Steel said that in Lloyd's insurance market, where a member's word was once his bond, there had clearly been disgraceful misappropriation of funds on a massive scale. The trail of scandal had even led, in the case of Johnson Matthey Bank, to the doors of the Bank of England.

"Only the very highest standards of probity and practice are acceptable in the City," Mr Steel concluded.

EEC legal opinion backs North Sea oil export policy

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT, IN LUXEMBOURG

THE UK Government appears to have defeated an attempt to have its North Sea oil export policy, which effectively bans sales to Israel, condemned as a breach of Common Market law.

The European Court of Justice in Luxembourg was advised yesterday that the policy, introduced in 1979 by the then Energy Secretary, Mr Tony Benn, and maintained by successive governments, did not infringe the EEC's common rules for exports.

Not, the court was told by Sir Gordon Slynn, one of its Advocates General, did the policy offend against a pre-existing free trade agreement between the EEC and Israel.

Sir Gordon suggested, however, that the policy could not necessarily be justified "in perpetuity or even indefinitely" without being reassessed in the light of changed circumstances.

He noted that it had been a response to the 1979 Iranian crisis, when there had been an oil shortage, and that there had since been an oil surplus.

The eight judges will now consider their ruling. Although not bound by Sir Gordon's opinion, it is rare for the court to reach a conclusion contrary to that of its Advocates General.

The policy allows North Sea crude to be exported only to EEC states, the International Energy Agency and other countries with which, in 1979, there had been "an existing pattern of trade." They included Finland and certain Caribbean countries but not Israel.

The European Court has been asked by the English High Court for a preliminary ruling on the applicability of EEC law to the policy in the context of a dispute in England between oil companies.

In 1981, a shipment of a cargo of North Sea crude, sold by Sun International, of Bermuda, and Sun Oil Trading, of Delaware, to Bulk Oil (Zug), a Swiss oil trader, was stopped at the Sullom Voe terminal

in the Shetlands operated by British Petroleum.

It was learnt that the oil was destined for Israel, which, it was claimed, would be contrary to UK policy.

At an arbitration, Sun was awarded nearly \$15m in damages and interest for Bulk's breach of the destination clause in the sale contract, which stipulated "destination free but always in line with exporting country's government policy."

Bulk has appealed to the High Court, contending that Sun cannot rely on the UK policy because, Bulk argues, it is invalid under EEC law.

In the hearing at the European Court in September the UK, backed by Sun and the European Commission, argued that the 1975 EEC-Israel agreement banned only restrictions on imports and contained no provision prohibiting export restrictions.

Bulk contended that both imports and exports were covered and also argued that the 1969 Common Export Rules precluded a member state from adopting a policy to ban exports to certain non-member countries, including Israel.

Sir Gordon, a former English High Court judge, said that the 1975 agreement contained no express or implied prohibition of quantitative restrictions on exports and therefore did not invalidate or preclude Britain's policy.

In his view, the Common Export Rules permitted member states to introduce new restrictions on crude oil exports, in addition to allowing existing policies to be applied.

The UK Government had argued that, even if its policy were otherwise contrary to the 1975 agreement and the Common Export Rules, it was justified under both on the grounds of public security.

Sir Gordon said that a restriction on the export of crude oil could be justified on public security grounds. It was arguable that the UK's policy had been justified in 1979, when there had been an oil shortage and uncertainty about future supplies.

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UK NEWS

ULSTER UNIONISTS PLAN RALLY

Protest to mark Anglo-Irish pact meeting

BY HUGH CARNEGIE IN DUBLIN

ULSTER UNIONISTS are to stage a further rally in Belfast today in a protest against last month's Anglo-Irish agreement. The rally is timed to coincide with the first meeting of the inter-governmental conference set up under the accord.

The demonstration will be the second staged by unionists within three weeks.

The conference, headed by Mr Tom King, Northern Ireland Secretary and Mr Peter Barry, Republic of Ireland Foreign Minister, is widely predicted to meet today at Stormont Castle (the Northern Ireland Assembly) or the Maryfield civil service complex outside Belfast.

No confirmation of the meeting has been given, apparently for fear of Unionist protests.

The two main Unionist parties, the Official Unionist Party and the Democratic Unionist Party, are pressing on with their campaign to destroy the accord, which gives Dublin a consultative role in the affairs of Northern Ireland.

They are urging their supporters to gather at the Maryfield complex at lunchtime in a peaceful protest.

The demonstration will provide a further gauge of public feeling towards the agreement, after the big Unionist protest in central Belfast on November 23.

Maryfield is next to a British Army base at Holywood's Palace Barracks and close to Belfast Harbour airport. Security there has been tightened over the past few weeks.

Unionists say civil servants from Dublin are already installed at the complex to man the inter-governmental conference secretariat.

This has not been publicly confirmed by London or Dublin.

The secrecy surrounding the implementation of the agreement contrasts with the blaze of publicity given to the accord by Dublin and London when it was signed on November 15 and reflects heightened security concerns in the wake of the fierce Unionist reaction.

According to the joint communiqué issued at the signing of the



Mr Tom King

agreement, the first meeting of the conference will concentrate on ways of enhancing cross-border security, the problem of nationalist alienation from the security forces and the measures to improve public confidence in the province's judicial system.

Dublin has said it wants changes in the mainly part-time, largely Protestant, Ulster Defence Regiment, and is pressing for changes in the single-judge, non-jury courts for terrorist trials.

Mr Barry will be accompanied by Mr Michael Noonan, the Irish Justice Minister, and one other minister. The two police chiefs, Sir John Hermon of the Royal Ulster Constabulary and Garda (Police) Commissioner Mr Lawrence Wren, are also expected to attend.

They met for the first time in nearly three years last week.

Yesterday at Stormont Castle, Unionists unfurled a 15 metre banner proclaiming The Northern Ireland Assembly Says No.

The Assembly's business has been suspended by the Unionists, who have begun hearings on a "grand committee" on the Anglo-Irish agreement.

Britain bids for TV picture of future

By Raymond Snoddy

THE INDEPENDENT Broadcasting Authority (IBA) yesterday launched a campaign to win acceptance of its new wide-screen high-resolution television picture.

The new system, called Enhanced C-Mac, will be shown this week to managing directors of independent television companies and officials from the Home Office and the Department of Trade and Industry.

The system developed by the IBA has become a weapon in a very political battle over what should be the world standard for High-Definition Television (HDTV) - the improved television set of the future.

The Americans and the Japanese are pushing for acceptance next year of a system developed by NHK, the Japanese public service broadcasting organisation. It is based on 1,125 lines and 60 Hz.

Britain, with the support of France, Germany and the Netherlands, is arguing that it is too early to adopt a single world standard for HDTV now.

Mr Tom Robson, the IBA director of engineering, said yesterday that the British system, based on the European 50 Hz, was evolutionary and compatible with existing television sets and studio equipment.

"The NHK High-Definition System is revolutionary and non-compatible," Mr Robson said.

"The Americans are not willing to give in in any way. They want something that suits them. I don't think we are going to get a world standard unless there is give and take," Mr Robson said.

The IBA picture system was demonstrated in London yesterday for the first time.

The IBA claims it is the only transmission standard designed for satellite broadcasting which is compatible with existing equipment and can provide wide-screen pictures with a resolution comparable to 35 mm film, together with stereo digital sound.

The new IBA system, like all high-definition television, has to be delivered to individual homes by satellite. Mr Robson believes that it could be ready, probably for showing by a projector on large screens, within four years.

HOPE FADES FOR 700 NEW MINING JOBS

Coal project shelved

BY MAURICE SAMUELSON

A PROJECT to develop Britain's last big deposit of coking coal for the steel industry, with the creation of 700 mining jobs, has been shelved by the National Coal Board (NCB) because of its inability to match world prices which have dropped by about 15 per cent in the past year.

The NCB had been considering investing £90m in a shallow drift mine at Margam, close to the Port Talbot steelworks in South Wales. It would have been the first big coal project in South Wales for many years, and could have helped to offset the large number of men being made redundant at other Welsh pits.

The only hope for the Margam project would be if the Government, in recognition of the NCB's improving finances, decided to cover the investment with regional development aid of the kind offered to other companies for job-creation in unemployment black spots.

Coal industry analysts claim that with a grant to cover the capital charges, the Margam mine could match the £40 a tonne which British Steel pays for importing coking coal to Port Talbot - and still show a margin on operating costs.

That, however, would necessitate a change of government policy. Five years ago the Government denied the NCB access to these grants in an attempt to stanch its heavy losses. (For similar reasons, in 1979 it removed the separate subvention for coking coal production which had been introduced five years earlier.)

With the NCB now responding to the Government's tough policies, suggestions are circulating that there is a case for letting it use such grants again.

The argument is highlighted by the situation in West Germany where production of coking coal in the Ruhr has been heavily subsidised for the past 20 years under an agreement called the Hüttenvertrag. The agreement, supplemented by smaller contributions from the steel industry, is about to be extended to the end of the century at a cost of more than DM 10bn (£2.67bn).

The Welsh coal industry was told at the end of the miners' strike that development of the Margam mine, already scaled down from a more ambitious £200m project, would partly depend on the ability of the loss-making Welsh pits to start generating some of the necessary capital.

Welsh NCB officials now aim to break even early next year, in contrast with last year's £160m losses. Even if the target is achieved, however, the Margam project will remain shelved because of the drop in world coking coal prices and the high interest rates which the NCB would have to bear on it.

BP to search for Ulster lignite

FINANCIAL TIMES REPORTER

BRITISH PETROLEUM has won a licence in Northern Ireland to explore for lignite, regarded as a potential source of cheap fuel for the province's electricity industry.

The Northern Ireland Office announced last night that BP Coal, part of British Petroleum, would be licensed to explore the lignite at Coagh on the western side of Lough Neagh. The licence will be confirmed once it has gone through a brief process of public consultation.

The Northern Ireland authorities hope that exploration will start next spring.

The Coagh deposit is believed to be at least as good as that at Crumlin on the opposite shore of the Lough, for which Northern Strip Mining, part of the Burnett and Hallamshire Group, already has a mining permit.

Lignite prospecting licences in two other areas are being offered to Meskatharra Minerals, of Australia (at Ballymoney), and to a consortium of Anglo United Development Corporation and Greenmore Holdings (for deposits at Lough Beg, south of Crumlin).

Lignite, with a calorific value

midway between coal and peat, is virtually unknown in other parts of the British Isles. It is widely used for electricity generation in many other parts of the world. Because of the difficulty of transporting it, it is usually burned in power stations constructed at the mine-mouth.

Some 420m tonnes of lignite have already been identified at Crumlin, and if the other deposits live up to expectations, the final total of recoverable reserves may be put at 1bn tonnes. This would be sufficient to supply the province's electricity for most of the next century.

Information jobs boost predicted

BY DAVID THOMAS, LABOUR STAFF

MORE WORKERS will be employed processing information over the next decade, but the nature of their skills is likely to change substantially.

These are two of the main findings of a report by the Technical Change Centre, an independent research group, on the impact of new technology on jobs in the information service sector. The report was commissioned by the British Library.

It calculates that almost 8m workers, 34.4 per cent of the UK workforce, were employed in information occupations in 1981.

The figures were calculated using a wide definition of information services, to include jobs such as computer and financial specialists as well as more traditional information workers such as librarians.

The report projects that workers in the sector will rise to 8.28m in 1990 (38.7 per cent of the workforce)

and 9.38m in 1995 (40.9 per cent).

It suggests that the growth in jobs will be concentrated in two main groups: managerial and supervisory staffs, and communications workers, including the media.

Other occupations such as traditional librarians and workers with keyboard skills will fare less well.

The Impact of New Technology on the Labour Market and Demands for Information Services, Technical Change Centre, 114 Cromwell Road, London SW7, £50.

US forecast to lead upturn in growth by industrial nations

BY DAVID LASCELLES, BANKING CORRESPONDENT

LEADING INDUSTRIAL countries can expect growth of 3.6 per cent next year, an improvement on this year's 3 per cent, according to Dr Hans West, executive vice-president and economic adviser of Credit Suisse. The main impetus would come from the US, which would rebound strongly in 1986, he told a Financial Times World Banking Conference in London.

For the first time since 1980, however, inflation would probably show no further significant decline. Commodity prices would rise noticeably, which should help developing countries. Unemployment would edge downwards, although it would remain high at an average of 8 per cent. Long-term interest rates were unlikely to ease further, he said.

Examining the prospects for Arab banks in the wake of the decline in international syndicated lending, Mr Abdulla A. Sami, president and chief executive of Arab Banking Corporation, said they had three options: to concentrate more on their own regions, to move into investment banking, and to expand into new areas through acquisition.

Mounting financial pressures on Arab countries might make them bigger borrowers on the international markets, he thought.

Mr Peter Leslie, chief general manager of Barclays Bank, discussed proposed changes to UK banking supervision after the Johnson Matthey Bankers (JMB) affair. UK banks broadly supported the need for more effective supervision, but it was important to preserve the flexibility of the present system, he said.

Mr Bryan Gould, Labour opposition spokesman on trade and industry, doubted that the changes would eliminate many of the causes of the JMB crisis and called for more radical measures, including tougher statutory powers for the Bank of England and a new bank audit commission. He thought the function of central bank and bank supervisor should be separated.

Sir John Nott, the chairman of Lazard Brothers, the UK merchant bank, said the Government's proposals for a self-regulating system for the City of London would be unsatisfactory because of its vulnerability to political interference. He preferred a single independent statutory body, and called on the

Government to delay parliamentary consideration of its forthcoming Financial Services Bill.

Mr Hervé de Curzon, chief executive of the international division of Midland Bank, said the post-war banking era pointed to several considerations for banks now planning their strategy for the 1990s.

Those included the need for better credit assessment and cost control, and an understanding of the implications of the international debt problem and of the emergence

of global banking. The key success factors in the coming years would be technology, an awareness of competition, and the management of human resources.

Financial institutions operating in London were walking on a tightrope, Mr Andrew Large, chief executive of Swiss Bank Corporation International, said. All would agree that investors had to be protected, but overregulation could stifle or drive the securities markets out of London, which would be a great pity.

In spite of the well publicised problems of some foreign banks operating there, the US market continued to have a favourable climate, Mr Winfried Speach, senior general manager of Dresdner Bank in New York, said. The prospects are good for banks that can adapt to the US market, even better for those who concentrate on profitability rather than growth, and best for those who learn from US innovations and apply them to their own markets.

Mr William Rhodes, chairman of the Third World loan restructuring committee and an official of Citibank, said the overall situation on international debt was better than it was often portrayed. He expected international banks shortly to endorse the plan recently proposed by Mr James Baker, the US Treasury Secretary, to channel more funds to the Third World.

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UK NEWS

Chief is named for Star Wars liaison office

BY PETER MARSH

THE DEFENCE Ministry has appointed a senior civil servant to head a Strategic Defence Initiative (SDI) office that will co-ordinate the activities of British companies in the US Star Wars programme.

Mr Ken Hambleton, the ministry's assistant chief scientific adviser in charge of projects and research, will take control of the office on his return to London tomorrow.

Mr Hambleton has been in Washington since the weekend to discuss with Pentagon officials routes for collaboration after the memorandum of understanding agreed between the two governments last Friday over Britain's role in the SDI research project.

The Star Wars programme is due to be devised by the 1990s on a basis to defend the West against nuclear attack by shooting down Soviet missiles with a range of exotic devices such as laser guns.

It emerged yesterday that details of the governmental agreement had yet to be communicated to British companies that might want to bid for contracts under the programme. The Defence Ministry defended its decision not to make public the document on the ground that it contains details of research work that companies that bid for contracts may want to keep to themselves.

In Washington, the Pentagon's Strategic Defence Initiative Organisation, the body co-ordinating the research project, said it could not discuss the agreement.

Dr William Bardo, technical director of the Marconi group, which is owned by GEC, said yesterday that he assumed he would receive details of the memorandum in the

next week. He said he hoped it covered adequately provisions for British concerns to retain commercial rights over technologies they work on under Star Wars.

"We will need to know the terms of the general agreement so we know the conditions under which we can conclude contracts," said Dr Bardo. Marconi plans to bid for a variety of Star Wars work in areas such as sensors and computer systems.

Other companies hoping to gain work gave a warning that much hard negotiation lay ahead. Dr Chris Dein, deputy managing director of the space and defence systems group at Logica, the computer company, said: "We are one step further forward but there is still a long way to go."

Mr Michael Thom, chairman of Systems Designers Scientific, a software group, said he thought companies would want to get involved in Star Wars only on the basis that they shared rights over commercialisation of technologies with the US Defense Department.

Mr Thom plans to bid for a contract on Star Wars "battle management" - which involves complex software needed to control an array of sensors and other military devices - in response to a direct invitation from the Pentagon.

A \$285,000 SDI contract between the Defence Department and a consortium of Ferranti and Heriot Watt University on optical computing is to be signed shortly. Apart from that, the first package of work for UK contractors will probably involve a set of theoretical studies on how Western Europe could be protected by a Star Wars shield.

Engineers excited by neutron research club

NEUTRON science, using rays which can "see" deep inside a substance, is the subject of a new European research club which Britain has persuaded France and Italy to join.

The excitement of the science overrides other problems such as Britain's wish to reduce contributions to another such club, Cern, the European Organisation for Nuclear Research.

Like the atom-smashers of Cern, the new club is primarily of interest to basic science. But it is exciting growing interest among the more research-conscious engineering companies.

Professor Alan Leadbetter, who heads Britain's effort in neutron science, last week led a team to Italy for presentations at the headquarters of the Ansaldo engineering group. About 50 Italian companies were present.

An example they gave was of the insight neutrons can give engineers of the integrity of a critical weld, by revealing not just flaws but stress patterns throughout it. The technique could be used to validate a new code of welding practice, they said. Companies such as BP, ICI, Rolls-Royce and Unilever were already showing interest.

In Brussels yesterday Mr George Walden, junior minister at the UK Department of Education and Science, signed a memorandum of understanding on the further development of Isis with Professor Hubert Curien, France's research and development minister, and Mr Luigi Granelli, Italy's minister for the co-ordination of scientific technological research.

By the end of next year, when Isis is up to full power, the three nations expect to have worked out an agreement on sharing the facility and paying for future development.

Other nations - notably West Germany - will have observer status during the year and are thought

likely to want to join the new European research club. Germany recently abandoned an ambitious scheme of its own.

Isis is the new name for the neutron source, given by Mrs Margaret Thatcher at its inauguration ceremony in October. The Prime Minister then reaffirmed the Government's faith in basic research as "a springboard to the creation of wealth, as well as other less tangible but equally important outcomes."

Isis is the biggest instrument of the Rutherford Appleton Laboratory of the Science and Engineering Research Council. To quote the council's chairman, Prof Bill Mitchell, it is "the most advanced source of this kind in the world."

It has taken seven years to construct, cost £60m, and uses existing equipment worth another £50m.

Isis generates bursts of neutrons, a nuclear particle which, because it has no electrical charge, passes easily through matter. Isis does this by accelerating a beam of protons to very high speed and crashing them into a target of heavy metal, such as uranium.

The collisions release neutron "rays" in bursts at the rate of 50 a second. These neutron rays are a powerful way of illuminating the structure of many non-crystalline materials - including plastics, ceramics and biological materials - to allow scientists a much closer look.

Neutron beam science has been an increasingly rewarding way of investigating materials for the past 15 years. The work of over 400 British scientists is today being co-ordinated by Prof Leadbetter, head

of the Rutherford laboratory's neutron division, which has access to a neutron-beam reactor in France, and is just beginning to use Isis.

In the early 1970s there was a brief flurry of interest among British neutron scientists in the idea of building a new research reactor at Harwell. As a first step, they negotiated a share of a Franco-German joint project, the Institut Laue-Langevin at Grenoble in France. The basic instrument of this instrument is a neutron beam reactor.

The terms of Britain's entry to this "club" - which included repaying its partners for part of the construction cost - recognised its claims to host a bigger neutron beam reactor with access to more and more powerful beams.

But by the mid-1970s accelerator technology had advanced to a point where pulsed proton beam currents were high enough to generate neutrons by the "spallation" process. Spallation is a nuclear reaction in which particles such as neutrons are ejected from a target by the protons.

In 1978 the Rutherford laboratory advanced ideas for building a spallation neutron source out of its ageing Nimrod accelerator. This machine, now renamed Isis, delivered its first neutrons just a year ago.

For the scientists, such neutrons are complementary to, rather than competitive with, neutrons from the Grenoble reactor. They expand opportunities for the neutron researchers, and discussions about a new reactor simply faded away.

Isis is Europe's first source of neutron pulses for neutron scattering experiments. Three other sources already exist - at Tsukuba in Japan, and at the Los Alamos and Argonne laboratories in the US. But all three are much feebler sources of illumination, says Prof Leadbetter.

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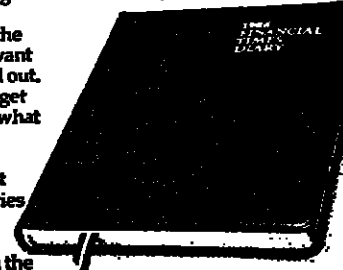
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THE MANAGEMENT PAGE

DAVID RODERICK, the unflappable, slow-speaking, 61-year-old accountant who runs US Steel, hardly fits the conventional image of the ruthless company doctor and corporate hatchet man. Yet in the six years since he became chairman of the Pittsburgh group, he has done more to shake up the rambling conglomerate of steel mills, coal mines and shipping lines than any man since Andrew Carnegie and J. P. Morgan, the legendary manufacturing and banking tycoons who put it together 84 years ago.

The restructuring of US Steel is now scheduled to take another major step forward with the proposed acquisition of Texas Oil and Gas, one of the most successful gas exploration and distribution groups in the US. Its relatively young and highly entrepreneurial management is already being tipped to play a key role in the upper echelons of US Steel.

If investors approve of the controversial all-share terms for the Texas concern, it will ram home the extent of the decline of one of the historic pillars of the US industrial establishment. The group is already classed in the oil section of the Fortune 500 lists, a consequence of the \$6.4bn takeover of Marathon Oil, and has shrunk to a market capitalisation of \$3.3bn as against Exxon's \$41bn and IBM's \$83bn.

Diversification into oil and gas, however, is only part of one of the most comprehensive corporate retrenchments ever launched in the US, as Roderick has tried to turn an ageing, bureaucracy-ridden organisation into a market-oriented competitive company.

"As the chief architect of the new US Steel, Roderick's goal has been to turn the company from a money-losing behemoth into a profitable, streamlined, natural resource company with two major divisions—Steel and Oil," says Michelle Applebaum, an analyst at Salomon Brothers.

The steel group has still not emerged from this shake-up, but it is already a vastly different organism from the one that Roderick inherited. He has slashed steel-making capacity from around 38m tons a year in 1979 to 26m tons today. Just over \$3bn (\$2m) worth of assets have been sold, including the cash that has kept the company alive through one of the worst market slumps on record.

US Steel has divested all its cement works, a large part of its shipping and barge fleet, a great chunk of its forests, and a substantial slice of its coal mining business. In 1981 it wrote off around \$650m, and in 1983 it took a further whopping charge of \$1.15bn, as it con-

US Steel in transition

Stepping on the gas

Terry Dodsworth and William Hall examine the effects of an industrial retrenchment

LTV (steel making capacity 18.6m tons) merged with Republic Steel Corporation last year in a bid to reap significant economies of scale but the benefits are taking longer than expected to show through. It has omitted its dividend and is trying to sell some of its businesses and reschedule its debts to ease its cash crunch.

BETHLEHEM STEEL (capacity 17.6m tons) stuck to steel, while others diversified, and over the past decade has invested heavily, cut capacity by a third, and nearly halved its workforce. Losses of \$1.9bn since 1981 have knocked down book value of shares by 70 per cent and in

October the company passed its dividend.

INLAND STEEL (capacity 9.3m tons) has only one plant, the Indiana Harbor works in East Chicago, and is in stronger shape than many of its rivals but it recently passed its dividend. Plans to cut capacity by a third to 6.5m tons a year over the next six months.

ARMCO (capacity 7m tons) was one of the first major steelmakers to diversify but ran into serious problems, particularly in its insurance. After losing \$1.5bn in the past three years, shrinking its steelmaking capacity by a third and passing its dividend,

signed many of its oldest plants to the scrap heap. Roderick, unlike the production men who used to run US Steel, has shown no sentiment—one of the plants to go in the last round of closures was the mighty Duquesne works down on the Monongahela valley, the heartland of Pittsburgh Steel.

The Roderick era has displayed a similarly unsentimental approach to labour. Back in 1979, at its peak employment level, the company employed 172,000 workers. Today, including the Marathon payroll of 20,000, it has a workforce of only 88,000. Its pensioners now outnumber its active employees by about 2 to 1.

At the heart of this redressive strategy designed to protect the group from the uncertainties which had suddenly begun to cloud the horizon of the American steel industry in the late 1970s.

Roderick has been heavily criticised for not making a more adventurous acquisition than Marathon. But in many ways it was the perfect match for a fallen steel giant. It was big enough to make an impact on a very large company, it held out the promise of steady, if not spectacular earnings, and

it gave the balance sheet an ample cushion to absorb heavy write-offs in the steel sector.

"Like Marathon, Texas Oil and Gas is excellent for the group because it takes it so far away from steel that it can afford to take the right decisions about what to get rid of," says William Shields, who runs the Raritan mini-mill in New Jersey. "The balance sheets of some of the other big steel companies will just not take a write-off."

US Steel has also been attacked for buying Marathon shortly before oil prices began to plummet. As a result of the decline, the energy group has not generated cash as quickly as anticipated, with the result that the \$7bn of debt inherited from the Marathon acquisition period has remained stubbornly high over the last three years. Instead of the oil business providing surplus finance for the steel restructuring, much of the funding of the reorganisation has had to come from the proceeds of asset sales.

Even so, the oil group has paid its own way after interest and overseas taxes are taken into account, and has generated sizeable operating profits—an average of \$1.2bn a year—when the rest of the business



David Roderick: masterminding a steady substitution of steel by other materials

the company is concentrating on making steel but is a shadow of its former self. NATIONAL INTERGROUP (capacity 5.9m tons) has been trying to diversify out of steel and last year sold a half share in its National Steel business to the Japanese. However, falling steel prices torpedoed a friendly merger with fast-growing

Bergen Brunswig, a wholesale drug distributor, and for most of 1985 has been fighting off an unwanted takeover bid from a corporate raider. WHEELING-PITTSBURGH (capacity 3.5m tons) is in the most serious financial trouble although claims to be one of the most efficient steel producers in the US. Had to

borrow heavily to modernise and in April filed for bankruptcy. Plans to slash wages led to a bitter three-month strike earlier this year which was only solved after management was ousted by Allen Dunham, a wealthy investor who owns more than a third of the equity. Whether the group can survive will depend on its bankers.

The haemorrhage of US Steel's traditional business is being brought under control by the combination of drastic closures and new managerial blood. Although Roderick has run into bitter criticism over the social devastation that the closures have caused around Pittsburgh, now a sad sprawl of rusting blast furnaces and abandoned mills, few in the industry challenge the policy. The company can now produce a ton of steel with around five hours of labour against almost 11 in 1982. Also its operating costs in the first half of the year were about \$10 per ton below its competitors', and averaged a whopping \$116 per ton less than three years ago.

A great deal of the credit for these changes go to Tom Graham, an iconoclastic hands-on manager, who made his name revamping the LTV steel group. Under Graham, investment has been concentrated on a few key areas and management given its head. The bureaucratic reporting systems are gradually being cut out and more emphasis put on local initiatives.

It is only a matter of time, analysts believe, before plant-by-plant wage bargaining fol-

lows. This more responsive version of the old US Steel monolith is also making history by forging new alliances. It tried to merge with National Steel, a move which was eventually scuppered by the anti-trust authorities, but it has since signed a joint production agreement with Ford's Rouge Steel.

The group's strategy on the steel side, however, still remains essentially defensive. As the shakeout in the US industry continues, it is by no means clear as yet what its long-term role will be. Indeed, Graham has himself speculated that the US may become mainly a finisher of imported steel.

Against this uncertain background for steel manufacturing US Steel is now clearly gearing up to try and screw down its costs through a round of wage cuts. In this context the acquisition of Texas Oil and Gas adds yet another defensive element to US Steel's posture. Indeed, John Tumazos, of Oppenheimer, believes that with the Texas gas gathering under its belt US Steel could endure a lengthy strike without any meaningful financial damage. Although a much smaller company than Marathon, and currently facing a severe profit squeeze because

Management abstracts

A multinational approach to new product development. J. Espey in *European Journal of Marketing* (UK), Vol 19 No 3 (1985 pages). Describes how International Distillers and Vintners blended their new product development and R&D departments and set up a group marketing division charged with the central marketing direction of new product development in any of the multinational's 100+ member companies. Points to the roles of a "resident madman," who provides protection for the new product development team, and liaises between the team and mainstream management. Illustrates how the new structure worked effectively in one successful development—Balleys Irish Cream—which originated from an Irish subsidiary.

Confessions of a so-so controller. D. E. du Toit in *Harvard Business Review* (US), July/August 1985 (4 pages). A successful entrepreneur confesses that during 12 years of growth he allowed his organisation—Classic Holdings, a South African cookware manufacturer—to get out of hand (with salespeople writing fake orders, cashiers borrowing money, workers walking out with spare parts), explains how he faced the emotional wrench of tightening the administration by hiring top-notch managers, and delegating authority and responsibility.

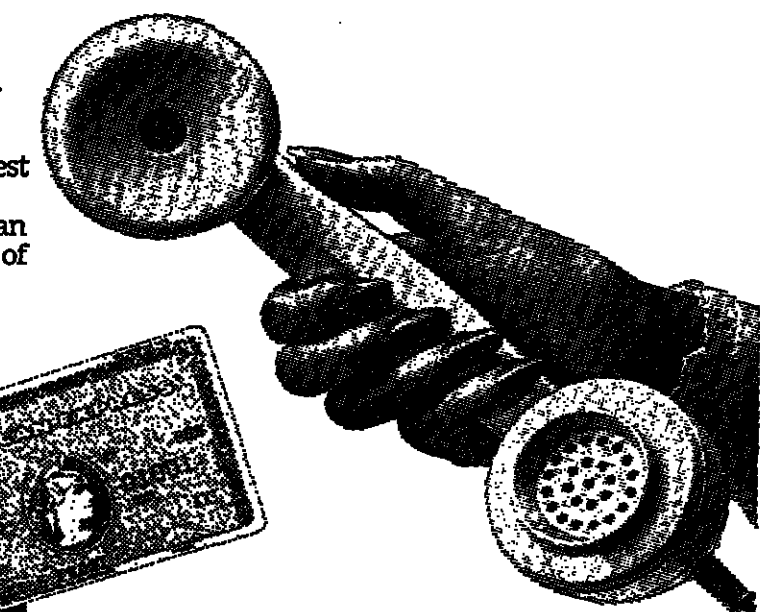
Management development. R. Smith in *Human Resource Management* (Australia), May 1985 (10 pages). The former manager of human resource development for Mobil integrates management development with the overall business development. This involves translating the perceived needs of the business into a manpower plan, embracing recruitment, training, appraisal and motivation at all levels, by seeking answers to a series of questions, such as "how many and what sort of people do we need?", "provides a comparative diagram, tabulates the aims, recipients, content, and method of Mobil's various management-development programmes.

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250-251, 252-253, 254-255, 256-257, 258-259, 260-261, 262-263, 264-265, 266-267, 268-269, 270-271, 272-273, 274-275, 276-277, 278-279, 280-281, 282-283, 284-285, 286-287, 288-289, 290-291, 292-293, 294-295, 296-297, 298-299, 300-301, 302-303, 304-305, 306-307, 308-309, 310-311, 312-313, 314-315, 316-317, 318-319, 320-321, 322-323, 324-325, 326-327, 328-329, 330-331, 332-333, 334-335, 336-337, 338-339, 340-341, 342-343, 344-345, 346-347, 348-349, 350-351, 352-353, 354-355, 356-357, 358-359, 360-361, 362-363, 364-365, 366-367, 368-369, 370-371, 372-373, 374-375, 376-377, 378-379, 380-381, 382-383, 384-385, 386-387, 388-389, 390-391, 392-393, 394-395, 396-397, 398-399, 400-401, 402-403, 404-405, 406-407, 408-409, 410-411, 412-413, 414-415, 416-417, 418-419, 420-421, 422-423, 424-425, 426-427, 428-429, 430-431, 432-433, 434-435, 436-437, 438-439, 440-441, 442-443, 444-445, 446-447, 448-449, 450-451, 452-453, 454-455, 456-457, 458-459, 460-461, 462-463, 464-465, 466-467, 468-469, 470-471, 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694-695, 696-697, 698-699, 700-701, 702-703, 704-705, 706-707, 708-709, 710-711, 712-713, 714-715, 716-717, 718-719, 720-721, 722-723, 724-725, 726-727, 728-729, 730-731, 732-733, 734-735, 736-737, 738-739, 740-741, 742-743, 744-745, 746-747, 748-749, 750-751, 752-753, 754-755, 756-757, 758-759, 760-761, 762-763, 764-765, 766-767, 768-769, 770-771, 772-773, 774-775, 776-777, 778-779, 780-781, 782-783, 784-785, 786-787, 788-789, 790-791, 792-793, 794-795, 796-797, 798-799, 800-801, 802-803, 804-805, 806-807, 808-809, 810-811, 812-813, 814-815, 816-817, 818-819, 820-821, 822-823, 824-825, 826-827, 828-829, 830-831, 832-833, 834-835, 836-837, 838-839, 840-841, 842-843, 844-845, 846-847, 848-849, 850-851, 852-853, 854-855, 856-857, 858-859, 860-861, 862-863, 864-865, 866-867, 868-869, 870-871, 872-873, 874-875, 876-877, 878-879, 880-881, 882-883, 884-885, 886-887, 888-889, 890-891, 892-893, 894-895, 896-897, 898-899, 900-901, 902-903, 904-905, 906-907, 908-909, 910-911, 912-913, 914-915, 916-917, 918-919, 920-921, 922-923, 924-925, 926-927, 928-929, 930-931, 932-933, 934-935, 936-937, 938-939, 940-941, 942-943, 944-945, 946-947, 948-949, 950-951, 952-953, 954-955, 956-957, 958-959, 960-961, 962-963, 964-965, 966-967, 968-969, 970-971, 972-973, 974-975, 976-977, 978-979, 980-981, 982-983, 984-985, 986-987, 988-989, 990-991, 992-993, 994-995, 996-997, 998-999, 1000-1001, 1002-1003, 1004-1005, 1006-1007, 1008-1009, 1010-1011, 1012-1013, 1014-1015, 1016-1017, 1018-1019, 1020-1021, 1022-1023, 1024-1025, 1026-1027, 1028-1029, 1030-1031, 1032-1033, 1034-1035, 1036-1037, 1038-1039, 1040-1041, 1042-1043, 1044-1045, 1046-1047, 1048-1049, 1050-1051, 1052-1053, 1054-1055, 1056-1057, 1058-1059, 1060-1061, 1062-1063, 1064-1065, 1066-1067, 1068-1069, 1070-1071, 1072-1073, 1074-1075, 1076-1077, 1078-1079, 1080-1081, 1082-1083, 1084-1085, 1086-1087, 1088-1089, 1090-1091, 1092-1093, 1094-1095, 1096-1097, 1098-1099, 1100-1101, 1102-1103, 1104-1105, 1106-1107, 1108-1109, 1110-1111, 1112-1113, 1114-1115, 1116-1117, 1118-1119, 1120-1121, 1122-1123, 1124-1125, 1126-1127, 1128-1129, 1130-1131, 1132-1133, 1134-1135, 1136-1137, 1138-1139, 1140-1141, 1142-1143, 1144-1145, 1146-1147, 1148-1149, 1150-1151, 1152-1153, 1154-1155, 1156-1157, 1158-1159, 1160-1161, 1162-1163, 1164-1165, 1166-1167, 1168-1169, 1170-1171, 1172-1173, 1174-1175, 1176-1177, 1178-1179, 1180-1181, 1182-1183, 1184-1185, 1186-1187, 1188-1189, 1190-1191, 1192-1193, 1194-1195, 1196-1197, 1198-1199, 1200-1201, 1202-1203, 1204-1205, 1206-1207, 1208-1209, 1210-1211, 1212-1213, 1214-1215, 1216-1217, 1218-1219, 1220-1221, 1222-1223, 1224-1225, 1226-1227, 1228-1229, 1230-1231, 1232-1233, 1234-1235, 1236-1237, 1238-1239, 1240-1241, 1242-1243, 1244-1245, 1246-1247, 1248-1249, 1250-1251, 1252-1253, 1254-1255, 1256-1257, 1258-1259, 1260-1261, 1262-1263, 1264-1265, 1266-1267, 1268-1269, 1270-1271, 1272-1273, 1274-1275, 1276-1277, 1278-1279, 1280-1281, 1282-1283, 1284-1285, 1286-1287, 1288-1289, 1290-1291, 1292-1293, 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1476-1477, 1478-1479, 1480-1481, 1482-1483, 1484-1485, 1486-1487, 1488-1489, 1490-1491, 1492-1493, 1494-1495, 1496-1497, 1498-1499, 1500-1501, 1502-1503, 1504-1505, 1506-1507, 1508-1509, 1510-1511, 1512-1513, 1514-1515, 1516-1517, 1518-1519, 1520-1521, 1522-1523, 1524-1525, 1526-1527, 1528-1529, 1530-1531, 1532-1533, 1534-1535, 1536-1537, 1538-1539, 1540-1541, 1542-154

THE ARTS

Television/Christopher Dunkley

Earth-bound morality

Some startlingly effective single plays were written for television in the 1960s by David Mercer, Dennis Potter and a few others. In the 1970s and 1980s we have seen a number of impressive TV-movies, mostly American, though Channel 4's "Action" policy of putting its drama budget into small movies has also resulted in a handful of worthwhile TV/cinema hybrids. But it seems increasingly clear that the format best suited to the presentation of television of imaginative ideas from creative people is not the single dramatic work, but the drama series.

Precisely why we should find this episodic format with its cliff-hanger hiatuses so attractive is a question which could keep whole polytechnics full of sociologists busy for decades. It probably will. What is quite clear is that we do enjoy it — yet in its very best form, where it deals with modern life and today's problems, television offers it to us too seldom. Series such as *Boys from the Blackstuff* or *Much and Brass* are notable for their rarity.

Edge of Darkness, which has just finished its first run, is an outstanding example of the genre. It was written by Troy Kennedy Martin who is still best known in Britain as the creator of *Z-Cars*, though he now lives in the US and writes movie scripts. The producer was Michael Wearing who also produced *Boys from the Blackstuff* and the computer-crime serial *Bird of Prey*. Its initial transmission was in six episodes of 55 minutes on BBC 2, but it will be repeated next week on BBC1 on Thursday, Friday and Saturday in three long episodes which may suit the work even better.

In some respects *Edge of Darkness* is highly conventional. The central character is Ronnie Craven, a Yorkshire detective played with cool control by Bob Peck (looking like the twin brother of Daniel J. Travanti, the precinct captain in *Hill Street Blues*). In a superbly well-written opening episode Craven's student daughter is shot dead. After a period of painful shock Craven suffers a breakdown, but he eventually sets out to investigate her killing unofficially, using the skills and contacts of a policeman.

The detective with a personal score to settle is, of course, a Hollywood favourite. His need to fight not only the bad guys but a corrupt establishment is also familiar. And the decision of the authorities to turn a criminal investigation into a police investigation is a well-worn plot. But Kennedy Martin, Wearing, and director Martin Campbell bring the plot to a new pitch of intensity by revealing collusion and conspiracy at ever higher levels: first regional police and union bosses, then the British government, then the American government, then the entire

international military-industrial complex.

There are other conventional elements: spooky hide and seek in underground passages almost reminiscent of the *Famous Five*, and an awful lot of heavy rain of the sort we know from spy thrillers, such as *Tinker Tailor Soldier Spy*. Furthermore, as in many stories of this type, plotting around some of the peripheral characters seems so complicated or obscure that it is hard to follow.

In such ways *Edge of Darkness* is a pretty standard piece of work, yet in other respects it is far from ordinary. Eric Clap-



Bob Peck

ton's plangent theme music on electric guitar is unusual and extraordinarily effective. The series is written, directed and edited (by Dan Rose and Ardan Fisher) with splendid taste.

Stylistically the serial is full of graceful and amusing touches. For example the dialogue is often better than we expect in work of this sort. "What do you know about a man called Pendleton?" asks Craven. "Not much," says his boss. "Drives a green Mercedes and parks in other people's spaces. Drinks with the SAS in Wellington Barracks."

Most of the downright funny lines are given to Darius Jedburgh, a buffalo of a CIA man played with the stops out by Joe Dan Baker, half comic half sinister, in a performance that puts one in mind of Marlon Brando on anabolic steroids and speed. Just returned from some deadly mission Jedburgh settles down in front of his cassette of *Come Dancing*. "Nobody dances like the British," he says with a huge smile. "They deserve the Falklands."

Right from the start, in Episode 1, there are hints at the most unusual of all the elements: Craven talks to Emma,

his dead daughter, and even sees her. We see her, Emma, a left wing student, serves as the conscience of the world, and as Craven begins to understand the size and significance of the plans which she discovered, he is radicalised by the experience and starts to lose his automatic respect for authority, law, the government and so on. He begins to identify with planet earth rather than the factions upon it.

Kennedy Martin cleverly saves until the very end the true significance of what he uses Emma to hint at throughout the first five episodes. Emma was a member of G.A.I.A., an anti nuclear organisation (started, ironically, by Jedburgh for the CIA's own ends) taking its name from Gaea, the personification of the earth in Greek myth, but also the name given by NASA scientist James Lovelock to his theory about the planet's ability to preserve itself.

It is Kennedy Martin's deep concern about nuclear proliferation and about the implications of Reagan's Star Wars plans for the future of mankind which lifts this series out of the general run of crime thrillers and justifies its comparison with the single plays of the 1960s. They, too, were often concerned with such large matters as the future of man or the nature of the universe, though they frequently used more pretentious and less popular forms than the police thriller, as their vehicles.

As it happens I find myself in the end on the opposite side from Kennedy Martin. At the heart of his serial, it seems to me, is a soft, effete, albeit fashionable form of feminism. His reactions to the nuclear age are primarily fear, obscurantism, and an instinct to turn inward and seek the comforts of mother earth; that which is known.

I do not deny the mysticism. I suspect there may well be something other than chance in the way that three things have occurred — a performance, a discovery, a means to destroy the planet, and space travel. The difference between us, judging from *Edge of Darkness*, is that if we were faced with the awful prospect of risking a major disaster for the human race in a bid for the knowledge of how to escape to another solar system — which is one interpretation already given to the Star Wars project — I hope I would have the guts to go for the risk and reach for the stars. Kennedy Martin, I suspect, would want me to join the Greenham wimmin in weaving woolly spells and singing fey songs in the hope that Gaea would save us all.

None of that alters the fact that he has written a series which is thoughtful, exciting, and highly entertaining.

Fairfield Quartet/Purcell Room

Andrew Clements

First impressions of the Fairfield Quartet in 1982 were extremely favourable — a confident, polished group that had already established an impressive unanimity of tone and ensemble. Further appearances, including a concert in the 1983 Park Lane Young Artists series, confirmed that initial opinion, but more recent reports of their progress have been less encouraging.

Monday's programme in the Purcell Room unhappily tended towards the Quartet's recent form rather than its earlier promise, though there were

signs that the current difficulties might with care be overcome. In Mozart's C major Quartet K.465 the total blend that once seemed to come so naturally entirely deserted their playing, and with it went much of their poise. Phrase ends were untidy; the minuet in particular was a rough ride. And though parts of Beethoven's Op. 59 No. 2 showed admirable solidity and good sense, all the movements were spotted with uncertainties, as if suddenly the players had discovered that the quartet playing was hard work.

Much the best part of the

evening was Janacek's Second Quartet. It is always a hazardous work in performance, for it contains threats to shatter into its component pieces. The danger was not here: the structure was always taut, the gestures sharply profiled, the chording and intonation precise. The lack of mannerism, the extraneous emotion was absolutely right, and with the expressive discipline a good deal of the group's technical confidence returned too. When they play with such concentration and freedom the Fairfield can still sound like a young quartet to follow.



Ian McKellen (left), Hugh Lloyd and Sheila Hancock

The Cherry Orchard/Cottesloe

Michael Coveney

Any objections to the National offering yet another version of Chekhov's masterpiece are utterly routed by the Moscow Art Theatre first night, in which Charlotte and Peter power their respective lonely statuses in a strange, crucially informative and affecting coda to the Anya/Trofimov love scene. It is an essential part of the domestic variations in the play and gives real power to both Hugh Lloyd's dithering old retainer and Julie Legrand's melancholic governess (whose trills and earwheels are not just breathtakingly good in themselves but a brightly manufactured smokescreen to camouflage inner torture).

The passer-by too, is obviously a frustrated travelling actor, for Alfreds, like Michael Frayn in the last NT version, gives us considerably more than just the first line of Nekrasov's poem, and Peter Neatham only prompts Varya to scream as he passes the hat round after a civil declaration. Throughout, there is a sense of organised diversionary revel accelerating into nightmarish panic. The third act dance leads to the hilarious sight of Roy Kinnear's Simonov-Pischik retreating his steps in between heart flutters to track down his money, and the desperate tugging at Ranyevskaya's dress ("Take me with you, it's so boring") by Jonathan Hyde's finely chiselled and serpentine upstart Yasha.

The continuous bubble of shared laughter hovers over these scurrying, insecure creatures among whom McKellen's Lophakin moves like a relaxed poacher biding his time. He is

annoyed then amused when his warum are ignored. And as take-over of the cherry orchard where his ancestors worked as slaves is announced in a boyish drunken stupor with just one tiny muted explosion to indicate the enormity of his invasion before he subsides into the general melee.

I have often bridled at Shared Experience's whimsical vein of acting and design, but as Alfreds applies his techniques to Gogol, Marivaux and Chekhov, the early experiments in narrative and ensemble improvisation are paying off handsomely. The sets, costumes and lighting of Paul Dart have a persuasively simple sophistication about them, the walls and ceiling of the beloved house represented by shimmering white curtains lacking on to a box surround of blue vistas and cotton wool clouds of cherry blossom. Clothes are beautifully designed in organised gradations of greens, creams and yellows for the garden, red and purples for the dance, cold greys and mauves for departure — and worn with a style not often seen outside a Philip Prowse production.

Greg Hicks is a very funny, pallidly earnest and clumsily elegant Yephikhodov, Claire Moore an excitable Anya to Laurence Rudie's eternal student Trofimov, and Edward Featherbridge a gaunt and final Gayer. The succession of brilliantly conceived last act farewells includes the sullen tude of McKellen's Eleanor Bron's buttoned-up Varya, and the heart-breaking pathos of Roy Kinnear's to Miss Hancock. I fear that tickets at the Cottesloe are going to be hard to obtain.



Yvonne Kenny and Jonathan Summers

Le nozze di Figaro/Covent Garden

William Weaver

Though it is close to 15 years old, this production of *Figaro* remains remarkably handsome and fresh — too fresh, at times, for some tastes, as the jasper and beige distract from the music. But, after all, opera — this supreme work, especially — is about singing; and for the current revival, which opened on Monday night, the Royal Opera House has assembled an admirable, largely unfamiliar (at least in this theatre and in these roles) array of gifted artists.

Central to the success of the evening, which ended with deserved cheers, was the *Figaro* of Jonathan Summers, worthily matched by Yvonne Kenny's Susanna. Summers, with his flashing eyes, infectious grin, lithe grace, could also, when appropriate, convey the bitterness, the resentment that are essential elements of the character. This was a *Figaro*, too, who existed always in relation to those around him, in particular the characterisation was questionable. This *Rosina* was fun, ready to toy with Cherubino — allowing him to go much

farther than is usually the case — but the basic melancholy of the woman was virtually absent, and "Porgi amor" suffered from a lack of emotional focus.

The other debutants — J. Patrick Rafferty (Count) and Ginter Missenhardt (Bartolo) — proved to be obviously talented singers, though neither seemed quite in his role. In the case of Missenhardt, the uneasiness may have stemmed from the production, which made him more menacing. Rafferty sang well consistently, but after a promising First Act, his Count became a petulant, prancing, generic impersonation. A word of praise for the smaller roles, for the frisky Barbara of Linda Kitchen, the Dickensian Marcellina of Patricia Johnson, the classic Curzio of John Dobson and the delightful caricature Basilio of Kim Begley. The conducting of Colin Davis is a known quality. Now and then, a bit more sparkle would have been welcome, but the orchestra played beautifully, and at a very high level.

Singing the role of the Countess in the house for the first time, Yvonne Kenny, a Sinton was somewhat disappointing. The voice was murky, less interesting than on other occasions; and the characterisation was questionable. This *Rosina* was fun, ready to toy with Cherubino — allowing him to go much

Saleroom/Antony Thorncroft
Arundel marbles unsold

Christie's had a disappointing experience yesterday with the marbles from the Arundel collection. It was selling, on behalf of the Marianne Fathers and Lord Burnham, some pieces of marble brought to this country by the 2nd Earl of Arundel in the early 17th century.

They were among the first classical antiquities shipped to the UK by an aristocratic collector. The marbles were dispersed by his heirs and some were lost for centuries before being spotted by Denys Haynes of the British Museum. The most important find was part of the Fallen Giant from the frieze of the great altar of Pergamon. This fragment was unsold yesterday at £180,000. A marble bust of Antonine Pius was bought in at £100,000.

This section of an antiquities auction totalled just £32,863. Arts Antiques paid £14,000 for a headless draped statue of a goddess and £11,880 for a 4th century AD fragment of a Christian sarcophagus. In the general sale, which totalled £257,826 with 29 per cent unsold, the Swiss dealer Berchman paid £91,800, around double the estimate, for an Etruscan bronze figure of a striding warrior of the 5th century BC. A Greek marble upper

part of an anthropoid sarcophagus, 4th century BC eastern Mediterranean, sold for £30,240. Sotheby's met with similar bidding at its Chinese sale and the morning session was 25 per cent unsold. But Eskenazi paid £148,000 for an archaic bronze covered vessel, late Shang, and a bronze ritual food vessel and cover of the same period sold for £115,500. A Tang Fereghan horse was on target at £67,100. The ceramics did well in the afternoon. Robert Chang, the Hong Kong dealer, paid £286,000 for a rare Yuan blue and white Meiping and cover of the late 14th century, while a blue and white stem cup of the period of Xuande did well at £94,600.

Phillips kicked off the week of Old Master sales in London with an auction which totalled £426,400, with 21 per cent unsold. The top lot was a casualty, "The Madonna and Child" by Sano di Pietro, being bought in at £62,000, even though the price was within the pre-sale estimate. Drown paid £38,000 for a river landscape by Lucas van Valkenborgh and a pair of birds, by Jacob Bordani, did well at £30,000. Wengras bought a Goyaesque pair of pictures by Eugenio Lucas y Padilla for £28,000, and Rich a still-life of fruit by Jan Hendrik Fredriks for £24,000.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Dec 6-12

Theatre

LONDON

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a theatre farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's roller-skating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 8184).

Dead Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Mer-

rick's top-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day. (838 8106).

Gays and Dolls (Princess of Wales): The 1982 National Theatre production has arrived in the West End, if anything improved by the new casting of Lulu as Miss Adelaide and the notably well sung black Sky Masterson of Clarke Peters. Richard Eyre's production and John Guter's affectionately lavish designs complement this most joyful and literate of musicals, a fitting tribute to the recently deceased co-librettist Abe Burrows. (830 8881).

Torch Song Trilogy (Albany): Antony Sher plays Harvey Fierstein's four-hour epic of the life and loves of a drag queen fighting for emotional and domestic stability. Truthful playing has the effect of cruelly exposing Fierstein's tackily uneven writing. (838 3878).

Glid (Lyric): Unconvincing stage revival of Lerner and Loewe's film follow-up to My Fair Lady. Beryl Reid rising liminally above the material, Jean-Pierre Aumont and Sian Phillips leading more conventional support. John Dexter directs. Jocelyn Herbert designs. (437 3889).

Interpreters (Queen's): Love among the diplomats, according to Ronald Harwood has a superb role for the matinee Meggie Smith renewing a cross-cultural affair with Edward Fox in the shadow of a summit between The Soviet Union and Britain. Fluent direction by Peter Yates of the West End's best new play of the year. (734 1168).

Lesson (Astoria): A not too critical celebration of the life and music of John Lennon that is enjoyable espe-

cially for the musical resourcefulness of the cast and Nick McCarty's Lennon look-and-sound-alike. (734 4287).

NETHERLANDS

Amsterdam, Bellevue Theatre. The English Speaking Theatre of Amsterdam presents William Gibson's bitter-sweet comedy, *Two For The Seesaw*. Maxine Rickman and Grant Coburn directed by Svarupa. All week except Thurs. (247 248).

NEW YORK

As Is (Lyceum): The first play about AIDS makes gestures toward the whole community the disease affects and focuses effectively on the victim and his protective lover; but this Circle Rep production also has distracting artistic touches to patch over the play's lack of development. The disease is diagnosed. (238 6290).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically felicitous, but classic and focuses effectively on the victim and his protective lover; but this Circle Rep production also has distracting artistic touches to patch over the play's lack of development. The disease is diagnosed. (238 6290).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the 30s incorporates gems from the original film like *Shuffle Off To Buffalo* with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Brighton Beach Memoirs (46th St): The first installment of Neil Simon's mix of memories and jokes focuses on a Depression-era Jewish household where young Eugene falls awi-

wardly in love with his cousin. (221 1211).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theatre for eight years but also updated the musical genre with its backstage story in which the songs are used as audition pieces rather than emotions. (238 6290).

La Cage aux Folles (Palace): With some tumbled Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2828).

WASHINGTON

Woman and Water (Arena): The latest installment in playwright John Guare's American Civil War tetralogy follows further adventures of Lydie Breeze in mid-19th-century Nantucket. Ends Jan 5. (488 3300).

CHICAGO

King Lear (Goodman): The Stratford Festival of Ontario production puts Lear in a rustic setting that looks much like the North American frontier. Ends Dec 22. (463 3810).

TOKYO

Noh: There are performances at most of Tokyo's Noh theatres at week-ends. Details in Tokyo English dailies and Tour Companies available at major hotels. Two handy little books *A Guide to Noh* and *Guide to Noh* in most hotel bookstores give summaries of plots.

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Wednesday December 11 1985

Living with
petro-sterling

STERLING has initially behaved very well in response to the Opec meeting which effectively abandoned the Opec role as residual supplier to a fixed-price market. The chances of a substantial fall in the oil price are higher than before and this has clear implications for the UK current account. An adjustment in the exchange rate in these circumstances is natural; the fact that the pound seems to have traded relatively calmly after its sharp fall is encouraging. The reaction from the authorities also looks appropriate. This is not the moment to run any risks with interest rate cuts, as the Prime Minister pointed out yesterday, but it is not the moment for panicky attempts to resist market forces, either.

While it is far too early to be sure that the adjustment will continue smoothly, there is one firm ground for optimism. Almost no scenario facing the markets has been so thoroughly rehearsed as an oil price fall. The oil industry has been trading for a fall by running down stocks, has recently been rebuilding them. This does not suggest that they are expecting any major fall in addition to that already implied by the decline of the dollar.

Open discussion

The financial markets have also been well prepared, with a host of rival simulations of the impact of a price fall, including one from the British Treasury itself. This open discussion has helped to ensure that the market's expectations are, so far as such things can be managed, rational, with a rough consensus on the appropriate adjustment to new facts. In such a market, prices can be expected to respond very quickly to news but without the large overshoot which is characteristic of swings in speculative sentiment.

This should mean that the British Government can concentrate its attention on long-term strategy rather than attempts at short-term market management, but in this respect it is hard to be optimistic. The one, admittedly all-important, policy response to the build up of North Sea revenues was to tighten exchange controls, leaving in-

vestors as well as oil companies free to form a private sector strategy; but now that the exchange rate is somewhere near the centre of UK monetary policy, and while a steady reduction in borrowing remains a prime fiscal target, the Government cannot adopt an equally hands-off approach to declining revenues. There is little evidence that the question has been thought through in Whitehall.

The first judgement which has to be made is whether the oil market is temporarily glutted, or whether the long-term elasticity of demand—the slow but cumulative response to high energy costs—is likely to mean weak demand for a long time to come. The fact that the market has not stabilised after so sharp a fall in the value of the dollar, and thus in the non-dollar price of oil, is, at the least, suggestive.

Long-term stability

Since Opec's problems, and the world over-supply, have restricted the rapid growth of high-cost production outside the cartel, it seems plausible, if no more, to suppose that prices will stabilise for the long-term when they have fallen enough to discourage exploration and development of high-cost marginal sources of supply. This would have profound implications for the oil industry, largely regardless of whether this entails a modest price adjustment or a sharp one. It would mean that North Sea output would fall more steeply in the next decade than is at present envisaged, as exploration and development slowed down.

In short, the task of restoring the balance of non-oil trade—implying a swing, mainly in manufacturing and services, equal to about 4 per cent of total trade—may be facing the UK sooner rather than later. The exchange rate adjustment, which should help to restore competitiveness, is a necessary part of this task; the challenge for policy is to resist inflation and so maintain competitive-ness. When adequate competitive-ness can be combined again with a stable exchange rate, the Government will be able to claim that it has played its part.

Argentina sets a
legal precedent

THE RULE of law in developing countries is more honoured in the breach than in the observance, especially where the military are concerned. Thus the successful completion of the trial of Argentina's former junta leaders acquired significance well beyond that of domestic Argentine politics.

It is the first time that civilian courts in a developing country have tried their previous military rulers by due process of law. This reflects great credit on the organisers and highly skilled restoration of democracy in Argentina carried out under the aegis of President Raul Alfonsín, who this month celebrates two years in power.

As a precedent, the trial offers a thin ray of hope for all those whose rights and lives are abused by military regimes. Examples do have an effect. For instance, Spain's remarkably peaceful transition from dictatorship to democracy after Franco's death in 1975 has had a ripple effect throughout Latin America and has served as a guideline of what is possible, not least in Argentina.

The trial involved nine of the most senior members of the Argentine armed forces who seized power in 1976, and the charges concerned their conduct during the "dirty war". Over 8,000 people disappeared and thousands more were kidnapped or tortured in the military's brutal crusade against left-wing subversion.

Political

The decision to prosecute was unashamedly political. President Alfonsín wanted to bring the military to account as an essential element in the re-establishment of democracy. He believed that only by hearing through court evidence the atrocities and cruelty of their former leaders, could Argentines appreciate the value of the democratic system. Furthermore he felt correctly that, if the military had been allowed to return quietly to barracks it implied weakness of civilian power.

The government was responsible for setting some of the

rules, in particular that the prosecution be limited to the most senior officers, members on the grounds that they were responsible for the crimes. But from here on matters have been in the hands of the court.

This is reflected in Monday's sentences. Four acquittals is far from what the prosecution thought might be the outcome and is a disappointment to the human rights activists. Yet a careful look at the sentences reveals a solomonic judgment from the court. Those punished most heavily were clearly the worst culprits—former President Videla and Admiral Masera; and the ones acquitted, including the last military president General Galtieri, were lesser actors in the abuse of human rights.

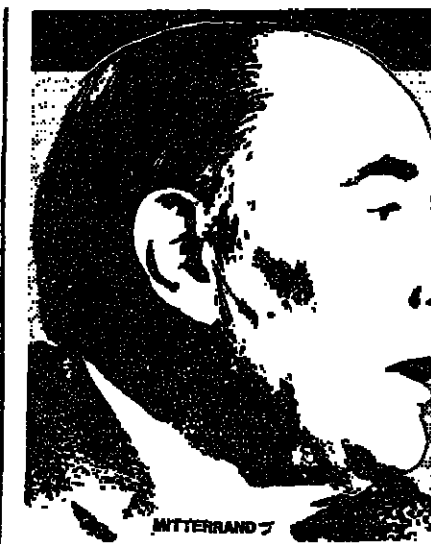
Taboo

The principle of military accountability has been established in an exemplary way. But the sentences also provide the military with some solace. The four acquittals prove the court was not engaged on a political vendetta.

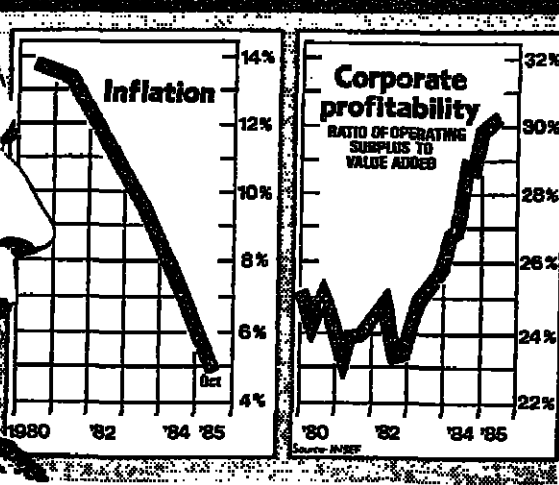
Civil society in Argentina has demonstrated it can act with justice—not vengeance—to right the wrongs of its military rulers.

In this instance, the legal basis for prosecution was strong. It is obviously much more difficult for civilian governments to prosecute when amnesty laws have been passed exonerating military regimes prior to their exit from power, such as General Zia has already done in Pakistan.

But the most heartening aspect of the trial is the way it has tackled head-on the great taboo in developing country politics: the power of the military. The military all too often remain above the law not because there are no laws to cover them; but because civilian courts are afraid to bring them to book. This fear of provoking the military weakens all civilian authority and is a major cause of bad government in much of the developing world.



THE GOOD NEWS ...



Chris Walker

M JACQUES CHIRAC, now the man most likely to be France's next Prime Minister, used to maintain that the French Socialists were caught between the devil and the deep blue sea. Either they would mismanage the economy and thus be thrown out by the electorate. Or they would get on grumpy with the muscled bank of bringing down inflation and rationalising industry, in which case they would lose the backing of their supporters.

It is the latter prediction which is closer to coming true in what now seem the dying months of this Socialist administration. Three years of austerity policies have begun to bear fruit. French inflation is now falling to under 5 per cent—a level not achieved since the early 1970s. There is a modest, consumer-led pick-up in economic activity with real incomes boosted by pre-electoral cuts in taxation.

Corporate profitability on the indices used by the official statistics institute INSEE, have risen to levels not seen since the first oil shock. Bourgeois stock exchange prices which sagged in the summer have climbed back to record heights. Overall fixed capital investment in the economy stimulated by a recovery in manufacturing investment—seems likely to be positive next year after several years of continuing decline.

The Socialists, after their ill-fated relation on coming to power in 1981 and the dislocation caused by the nationalisation programme, are increasingly recognised both by public opinion in France and by the financial markets abroad, to have made a good job of running the economy. But notwithstanding this, under the new system of proportional voting, they seem inevitably headed for the mud in the Parliamentary elections in March.

What the Socialists—no more than their predecessors—have been unable to put right is that the French economy by which each renewed expansion is choked off by difficulties on the external trade account. Even in the present modest recovery—between spring 1983 and spring 1984—real GDP is likely to be growing at around 2 to 2.5 per cent or a full percentage point behind West Germany—imports have begun to rise and exports to fall in a way that is putting a stop to any further improvement in the trade account.

A higher than expected trade deficit of FF20bn this year is slightly smaller next year, but only thanks to falling oil prices.

By contrast, West Germany is expecting a record trade surplus this year of between DM 70bn and DM 75bn.

This vulnerability of the external account—reflecting a long period of inadequate rates of investment in French industry, of insufficient competitiveness in price and quality and of the difficulties globally industry has had in responding rapidly to changes in demand—seems if anything to have worsened. In the early 1980s, France was able to run a higher growth rate than West Germany but to maintain its trade account almost in balance. Diminishing competitiveness has also been reflected in France's falling share of world export markets and increases in import penetration.

Loss of market share in manufactured exports is something France shares with many European countries. But import penetration has also been climbing faster than would be justified by normal trading patterns. Last year imports accounted for 31.7 per cent of the domestic market for industrial goods in 1984 as compared with 27.6 per cent in 1980.

The drama of French macro-economics is that the Right will be coming to power with a programme that is focused on diminishing this very weakness and on improving the competitiveness of the corporate sector. The measures they are proposing—cuts in the corporate sector's tax and social security burden, reductions in public expenditure, the lifting of price controls, the easing of redundancy procedures, privatisation and further deregulation—are largely inspired by what President Reagan did in the US and Mrs Thatcher in Britain. The Socialists have begun implementing some of these measures.

But it is a programme that requires firm government and a prolonged period in office—both Mrs Thatcher and President Reagan are in the middle of their second terms. In the short run, the effect could be to worsen unemployment, inflation or the trade balance.

Mr Mitterrand believes that this is the fate that awaits the French Right and it is one which he hopes to exploit. Having won the election, the Right will have to take responsibility for day to day economic management, but will have to live beneath the sword of Damocles held by the President, who has it in his power to dissolve the National Assembly after a year or to call an early presidential election in the hope that by then the electorate will have come to appreciate the virtues of the Left.

The Socialists' major achievement since the U-turn in economic policy in 1983 has been their unexpected success in bringing down inflation with so far a smaller cost in terms of unemployment and loss of economic activity than many of their European partners. This was the government's objective in 1982 in choosing to make the de-indexation of wages the centrepiece of its anti-inflation strategy rather than relying on an orthodox deflation of demand through the money supply as was the case in Britain and West Germany.

The French inflation rate has thus come down from 13.4 per

A fundamental weakness by which each renewed expansion is choked off by the vulnerability of the trade account

cent in 1981 probably to below 5 per cent by the end of this year and will still be declining in 1986.

The government has been helped enormously in this process by the collapse in the dollar and international commodity prices have fallen 20 per cent in the 12 months to October.

It has also been helped by the disciplines implicit in EMS membership which have meant that France has had to pursue tight fiscal and monetary policies to avoid a further—and politically catastrophic—devaluation of the French franc.

But nonetheless the Socialists' success in getting unions to agree to wage settlements below the existing inflation rate, and thus to abandon the indexation mechanism that "ratcheted up" wages and prices in the 1970s has been a major factor—contributing average annual 1.5 per cent to the drop in the inflation rate between 1982 and 1984.

French unemployment—has risen by 600,000 since 1981 when the Socialists came to office and now stands at 2.4m.

The French economy has, however, still to shed a great many jobs while both West Germany and Britain are now creating net new employment. INSEE calculates that an average of 80,000 jobs a year will have to go in the next few years as a result of restructuring in such sectors as automobiles, shipbuilding and the banks.

Perhaps the most striking aspect of France's economic

THE FRENCH ECONOMY

A Socialist bear
trap for the right

With a change of government likely in France, David Housego reports from Paris on the legacy the Socialists will leave behind

performance however has been the fact that almost alone in Europe since the second oil shock it has avoided a recession. But France missed out on the pick-up in the world economies in 1983, and for the last three years has been running an average annual growth rate of 1.8 per cent that has lagged behind that of her major European partners.

This year's recovery is also predominantly fuelled by growth in consumer demand rather than by exports or investment which would have suggested a more fundamental structural adjustment.

Nonetheless, the combination of stagnant wages and increased productivity has been the major factor boosting corporate profitability. Real hourly wages increased at an annual rate of 0.9 per cent between 1982 and 1984. In the same period, productivity—in the result of cuts in the labour force—climber by an average of 4.9 per cent.

Company profits—as expressed by Insee's ratio of operating surplus to value added—which declined during Mr Barre's years in power—have returned to levels last experienced in 1974. Accompanying this movement, Bourgeois prices have climbed 30 per cent since the beginning of the year.

But the weakness of French companies remains that they are far more heavily indebted than their American or European rivals.

The consensus over wage restraint is one of the major legacies of the Left and one that would remain the focus of policy for any future French Socialist administration still committed to the objective of improving the competitive-ness of French industry. A right-wing government will have

far more difficulty in preserving it—particularly since the Right is committed to lifting price controls and giving employers more freedom over deciding redundancies.

As against this, the rise in the size of both the budget deficit and the public debt have left far less leeway for a successor administration to provide for tax or interest rate cuts.

A budget surplus in 1980 had been transformed into an estimated deficit next year of FF145,000bn or 3.2 per cent of GDP—thus absorbing almost half of net private saving and maintaining an upward pressure on interest rates. Interest charges on the Government debt FF22bn in 1984 and will continue to rise next year by 12 per cent or faster than nominal GDP—thus still absorbing a growing share of national resources.

Over the past two years the Socialists have begun to halt this process by curbing the continuing post-war rise in real public spending and imposing next year cuts in real terms in public expenditure exclusive of debt service payments. But the difficulties that they have had in doing this demonstrate the greater problem that the Right will have next year in finding an additional FF40bn of budget savings to finance the cuts in taxation or in the budget deficit that they have in mind.

But Mr Mitterrand has left other snares in their path. The present pick-up in the economy will be running out of steam by the middle of next year—thus facing them with the possibility of a further rise in unemployment. The pre-electoral tax cuts which have been behind the recent expansion of activity will have lost their momentum. Export growth is likely to sag further because of the increasing overvaluation of the franc.

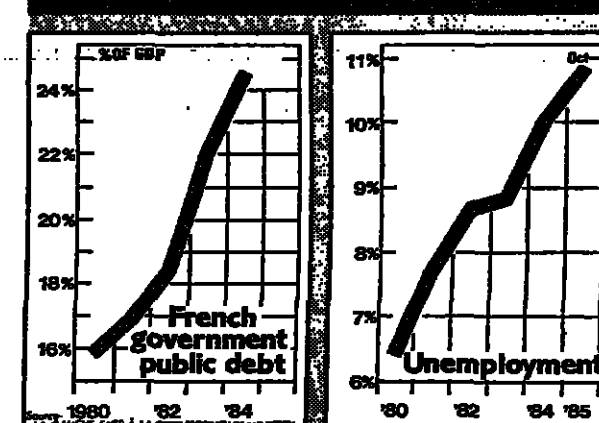
A new administration is also likely to have to raise both social security charges, to plug an estimated deficit in the social security fund of FF100bn to FF200bn, and raise utility tariffs to prevent a further rise in public sector deficits.

The Right thus faces a dilemma in what will still be a highly charged political atmosphere because of the prospect that there could be fresh presidential elections just over the horizon. Either it acts to maintain activity so as to forestall a renewed rise in unemployment but with the risk that this could put pressure on the inflation rate and the trade deficit—and hence eventually the franc. Or else it gives continuing priority to bringing down inflation—in which case unemployment is likely to go up.

Precisely because of the acute difficulties of putting through a long-term economic programme amidst such long-term political and economic uncertainties that Mr Barre has always said that the Opposition should refuse to take power while Mr Mitterrand remains at the Elysée.

Mr Chirac is just as pessimistic as Mr Barre about the long-term prospects of power sharing with Mr Mitterrand. But on the assumption that the Right has an absolute majority in March and that as leader of the largest opposition group, the neo-Gaullist RPR, he takes over as Prime Minister he calculates that that position allows him to choose the issue and the timing of the inevitable conflict with Mr Mitterrand. But he cannot afford to wait too long if he is to avoid being engulfed by the disenchanted electorate which would accompany the inevitable difficulties of managing the French economy in the late 1980s.

... THE BAD NEWS

Crocker's
revolving door

THE revolving door at the top of Crocker Bank, Midland Bank's expensive US subsidiary, continues to turn. Out goes Dick Rosenberg, who was hired 18 months ago as a retail banking wizard, and in comes John King, chairman of First Interstate Bank of California.

Rosenberg, aged 55, is leaving Crocker's San Francisco headquarters, where he was one of two vice chairmen, and moving 800 miles north to take over as president of Seafirst Corporation, which is about half the size of Crocker and shares the unenviable reputation of being one of the most unprofitable banks in America.

Seafirst lost \$456m in 1983, primarily because of losses on imprudent energy lending, and had to be rescued by Bank America Corporation. Crocker lost \$224m in 1984 and has been effectively rescued by Britain's Midland Bank which pumped in extra capital and took full control earlier this year.

Rosenberg, who also doubles up as chairman of Mastercard International, will rejoin Dick Cooley, his former boss at Wells Fargo, who was lured away in 1983 to help rescue Seafirst.

Rosenberg, who spent 22 years with Wells Fargo and is one of the most highly regarded marketing men in US banking, has been named president and chief operating officer of the holding company and the lead bank, Seattle-First National Bank. That gives him a head start in any race to succeed when Cooley, aged 62, retires.

Rosenberg denies that the Midland's increased interest in Crocker's affairs had anything to do with his departure and says that the Seafirst offer was "just too good to be missed."

Crocker has moved quickly to fill Rosenberg's job and scotch any suggestion that his departure reflects unhappiness amongst Crocker's new senior management. John King, aged 52, who steps into Rosenberg's shoes as a vice chairman of Crocker and head of its

Men and Matters

Important Californian Banking Group, started his banking career with Manufacturers Hanover Trust in New York.

After 15 years on the east coast he moved west and joined Union Bank in Los Angeles for a couple of years before moving across to First Interstate in 1975.

Marketable Price

Kent Price has pulled many surprises in his career. He headed the British operations of Citicorp, the US's largest banking group.

In that time it has become the first foreign member of the UK bank clearing system, and he plunged deep into the City of London revolution by buying two stockbrokers and a discount house.

But Price's biggest surprise is his sudden decision to resign from Citicorp, and strike out on his own at the age of 42.

It is all very amicable, he insists. Citicorp is "full of very able people aged about 45" and he wants to switch to an organisation where he stands a better chance of getting close to the top. He has not got a new job lined up, he says, but is casting about for something suitable on either side of the Atlantic.

He may well stay in Britain. He has an English wife and his British parentage entitles him to British nationality if he wants it. He is specially struck by the possibilities of the City revolution which, he believes, exceeds anything that is going on in the US.

"London is setting the pace," he says. "Financial service companies have the right to do many more things here than in the US."

Another key difference between London and the other two leading financial centres, New York and Tokyo, as Price sees it, is that London thrives



"What do you want to do to remember the new slogan or blow into the bag?"

by providing a service rather than by living off a huge domestic market.

Gas light

The Commons Select Committee on Energy was a little late in starting its 10 day grilling of Sir Denis Rooke, British Gas chairman, yesterday.

Shortly before the session—on gas regulation—was due to start, one of the committee clerks emerged to ask my man in the corridor of power whether he could borrow a copy of the FT.

It turned out that though the Department of Energy had published on Monday the terms of the future licence for privatised British Gas, it had failed to inform the select committee, or send it a copy.

So, as a very cross Peter Lloyd, chairman of the committee, told Rooke later: "The first we saw of these regulations was in this morning's FT, giving us absolutely no time to

consider this critical element in gas regulation."

Rooke seemed unconcerned about this lack of preparation for his interrogation, but agreed sympathetically later that on first reading the government rules were "horribly complicated." He added: "I counted about half a dozen algebraic symbols in the main regulatory pricing formula."

Eating out

It may seem strange that a catering management company with an annual turnover of more than \$80m should not have a single restaurant to its name. But that was the case with Sutcliffe Catering—part of the P & O group—until yesterday.

Sutcliffe has made its name with some 90 catering operations in staff restaurants, schools, and public bodies—it even provides the food in several of the London clubs.

Now it has a restaurant of its own. Waverly, which opened for breakfast yesterday, is in a new building in the Waverly Technology Park, Liverpool. The park has been reclaimed from 60 acres of derelict railway sidings alongside the Plessey factory.

And to keep up with the high tech image the new eatery has a fast-food counter called Megabyte.

Pound for pound

A US-made motor car and a sirloin steak have one thing in common—they each cost \$3.65 a pound.

This new contribution to the sum of man's knowledge comes from management consultants Runzheimer International who have been examining cars and living costs.

American buyers vacillating between butcher's shop and auto showroom will find the best value is the imported Japanese Subaru at only \$2.49 a pound.

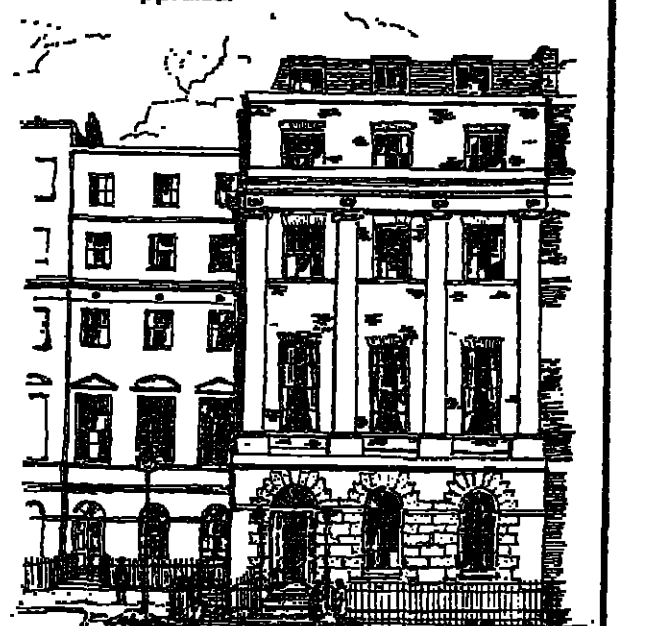
The Alfa Romeo four-door V-6 is for gourmets at a whopping \$34.09 a pound.

Observer

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MANFRED and Uta Rohlich, both in their early 40s and newcomers to this tiny and relatively isolated Swabian village, are the sort of people that may one day make Baden-Württemberg's State Premier, Mr Lothar Spaeth, great. They may, on the other hand, be his undoing.

The Swabians already think he is great, as do a growing number of other Germans watching on as Mr Spaeth continues with almost unstoppable progress to transform Baden-Württemberg into one great European technology park, a German version of California's "Silicon Valley" crammed with hundreds of small, immigrant, high tech companies.

A former Federal Economics Minister, Otto Graf Lambsdorff, had the temerity last week to suggest that perhaps Mr Spaeth was intervening a little too much in industry to get his way. Perhaps he was a specialist where he should not be. The local radio network ran furious state government reaction as its lead item for three days. Last weekend Mr Spaeth himself was on the stump, boasting that "innovation promotion," which is what subsidies are called here, was necessary and that his policies were making the risks of entrepreneurship worth taking again.

The Rohlichs took such a risk two years ago. Manfred, a salesman with a car radio distributor in North Rhine Westphalia, thought he could build better equipment than he was selling, and started a small business, Programma, with his wife in Dortmund. He speaks English, Italian and French and, assuming it would be impossible to sell car radios to the German auto industry concentrated on e-ports. He soon found a major customer in Peugeot/Citroën in France and another in Chrysler Canada.

But the early radios were fairly conventional. What he really wanted was to build a new generation of radios, based on a small, pocketable remote control, making the equipment difficult to steal and easy to use. The design principles that would make it easy to adopt new technologies for car telephones, television and compact disc players to the standard product. The problem was that he needed financial backing.

In 1983 he saw an official in the North Rhine-Westphalia Economics Ministry in Düsseldorf about a possible aid package. "They just laughed," he remembers. Then, at least, the North Rhine-Westphalia Economics Ministry was far more concerned about saving its steel or coal industry, than

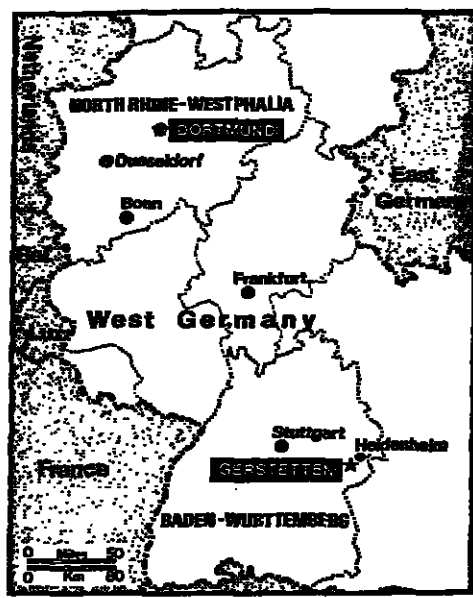
Germany's 'Silicon Valley'

Union spanner in an entrepreneur's works

By Peter Bruce in Gerstetten, Baden-Württemberg



Manfred Rohlich, whose company, Programma, faces problems after a long strike



about helping out a rather intense, gangly young man, employing only 30 people, with strange ideas about car videos.

A business contact in Gerstetten suggested he try Baden-Württemberg. There was also space available in the village and a railroad in nearby Heidenheim. With very little fuss, Mr Rohlich secured a DM 5.7m low interest loan over 10 years from Stuttgart, packed up in smoggy Dortmund and moved south to the Swabian mountains. Gerstetten is clean. It lies off a minor road. The people speak the Swabian dialect. Manfred Rohlich says he still has difficulty understanding it.

Programma's arrival in the town just over a year ago created some 50 new jobs. The Rohlichs brought some Dortmund employees with them and more than doubled the overall workforce to 70. Most of the staff are young, and by the summer, Programma and its sister sales company, Facom, were producing and selling well over 30,000 sets a year, with

Peugeot/Citroën taking more than half the output. The Rohlichs found new customers in Zendar in Italy and Uher in the UK.

But the Portmunder's arrival in Baden-Württemberg had not gone unnoticed at the Heidenheim headquarters of the IG Metall, West Germany's biggest and most aggressive trade union. Wage agreements in Germany are settled on a regional basis and IG Metall organisers began almost immediately to press the Rohlichs to conform to the agreed pay deal for the area. They refused, arguing their circumstances were special, that they did not have the money to pay higher wages and were not members of an employers' organisation.

The IG Metall is not accustomed to being turned down when it leans on small fry. Union organisers worked away at the Programma staff. On September 18 Programma workers voted for inclusion in the area wage deal, and to strike for it. The local IG Metall leader in Heiden-

heim says he reckoned with an action lasting "at most" 14 days by which time Programma would buckle under.

The strike went on for nearly 60 days, one of the longest in German post-war history. Gerstetten had never seen anything like it. IG Metall, at the height of the action, based in 1,800 demonstrators to the front of the factory gates each day. The police responded with more than 300 officers. There were scuffles and injuries. The Rohlichs received anonymous death threats.

The little company whose move south had been described by one of Mr Spaeth's senior advisers as "an exemplary case of our technology policies in action" struggled to maintain output at 50 per cent with its new workers, including a dozen Lancashire engineers on contract, who did not join the action. As news of the strike spread, the daily confrontation outside the factory became a tourist attraction. Local taverns made what one publican calls "a small fortune."

Mr Spaeth, realising the damage the publicity might do to his carefully structured image of Baden-Württemberg as a place of happy and unrivalled productivity, intervened personally. His "negotiations" eventually brought the action to an end. The final agreement was unusual, however, in that it was signed on the union side not by the company works council but by the regional headquarters. In an almost unprecedented move, the works council has agreed to put itself up for re-election next year.

Mr Spaeth hailed the deal as a "victory for reason." The union was very pleased, too, as the Rohlichs were forced to give way and recognise regional pay and conditions. It has, however, left the couple bitter.

Relations between management and staff remain "bad, very bad," says Mr Rohlich. They had no difficulties with the unions in North Rhine Westphalia. "The row wasn't about my business. It was political between I. G. Metall and Spaeth. We had the naive idea that what we did in Dortmund we could do better here. We didn't know that I. G. Metall was so well organised in Baden-Württemberg."

They didn't know because they were not told by the Stuttgart marketing machine. Unemployment in the state is the lowest in the country and the unions are correspondingly strong. The state's powerful employers, like Daimler Benz, set the standards in wage deals with I. G. Metall. Manfred Rohlich is almost as bitter about employer associations as he is about the unions. Programma will not join, he says. They have become an abstract. They know nothing about the problems of small businesses.

Programma is now turning over about DM 13m a year. Its profits are small and inevitably ploughed back into the business. The Rohlichs want to start working on computerised driver navigation systems but the strike and continuing bad feeling in the plant will make everything much more difficult. All but a handful of the Lancashire engineers will not have their contracts renewed at the end of the year.

Meanwhile, Baden-Württemberg's competitor states have cottoned on to high technology and small businesses. The Rohlichs would probably have got their money from Düsseldorf had they waited another year. They could be forgiven for feeling homesick.

The UK economy

Diminishing relevance of Sterling M3

By Michael Beenstock

THERE IS one essential clue which can guide us through the jungle of argument about monetary targets. This is the distinction drawn by modern economic theory between "inside money" and "outside money."

Inside money consists of private sector liabilities, such as bank deposits, while outside money consists of public sector liabilities, such as notes and coins in circulation.

"Mo" consists of notes and coins, plus bankers' deposits at the Bank of England. It is thus a liability of the central bank and, therefore, "outside money."

Other monetary aggregates contain a mixture of the two kinds of money. For instance, EM3 contains not only notes and coins, but also the deposit liabilities of the commercial banks.

If bank deposits do not pay interest, i.e. if inside money is non-interest bearing, it is the broad level of the money stock which includes bank deposits, that influences inflation. If, however, there is no outside money, but the inside money bears a competitively determined rate of interest, the rate of inflation is indeterminate.

The reason for this is that an increase in the quantity of interest on bank deposits rather than the general level of prices. But as I have explained, outside money does exist in the shape of Mo. So if inside money pays competitive interest rates, it is left to Mo to determine the general level of prices.

We may summarise these theoretical findings as follows. If banks do not compete for sight and time deposits by offering competitive interest rates or realistic bank charges, the rate of inflation will be influenced by rates of broad monetary growth, eg EM3. If, instead, banks set competitively determined interest rates on deposits and bank charges the rate of inflation will be influenced by outside money, ie Mo.

correspondingly increased. The Chancellor has acted wisely in attaching less weight to EM3 and more weight to Mo but he may not have done so for the reasons that I am proposing.

Prior to Competition and Credit Control in 1971 there was little or no competition between banks. Indeed CCC was proposed to correct this but it was not until the second half of the 1970s that genuine competition began to take place. Banks began to offer interest on sight deposits. Today there are almost as many interest bearing sight deposits as non-interest

money" is now a store of value as well as a medium of exchange.

Not only does this thesis help explain why relatively rapid rates of "inside money" growth have not induced inflation and why the growth of Mo has become a better indicator of inflationary trends, it also shows why "inside money" has grown so rapidly relative to Mo.

Between 1970 and 1970 the "money multiplier," defined as the ratio of M3 to Mo fluctuated gently between 4 and 5. It used to be one of the great constants of our monetary history. In the past six years it has virtually doubled. Part of the explanation lies with the CCC reforms and those of August 1981 according to which banks were allowed to reduce their reserve ratios. But only 7 per cent of the increase in the "money multiplier" since 1979 has been due to this. The other 93 per cent has come from a 46 per cent fall in the proportion of money the public holds in notes and coins. In other words, the public's demand for "inside money" has greatly increased.

The public is using banks to a greater extent than before because banks are competing to make deposits more attractive in terms of bank charges and competitive interest rates on deposits. Incidentally, this portfolio switch has enabled banks to increase their lending. So the expansion of bank lending is also explained by my thesis, as well as why this lending has not been as inflationary as in the past.

Where does this leave the Chancellor? He has in fact been sleepwalking in the right direction, first by including Mo in the Medium-Term Financial Strategy and more recently by downgrading EM3. Although greatly more competitive than it used to be, the banking system has a long way to go; so he cannot denigrate EM3 entirely. However, for presentational purposes he should abandon it in favour of Mo. The MTFSS path for Mo should be adjusted for the institutional changes I have described.

The author is Professor of Finance and Investment at the City University Business School.

Best guessing the market

From Mr A. Tolley

Sir,—Mr Gaunt's correspondence (December 3) concerning Clive Wolman's article is really a failure to appreciate the mechanism and predictable consequences of the "efficient markets hypothesis." The apparent attention of the market to next year's results is a consequence of the way markets view long term earnings prospects, and is a red herring concerning capital allocation to industry.

Research has shown that share prices do reflect the market's best guess of discounted future earnings. Next year's profits growth acts as a pointer to the future growth of the company, and the share price is a reflection of the investors risk-averse model of future earnings. Therefore, if the share price is a relatively predictable function of the expected next published results, a more accurate view would allow an investor to make about 10 per cent returns, therefore explaining the focus on short-term profits.

The evidence cited of portfolio underperformance is evidence that the market does make the best guess of future earnings, and that it is very difficult to consistently out guess the market's view, except by chance. Thus risk-adjusted underperformance of an index is expected as a consequence of dealing costs. It should be clear therefore, that the market mechanism does, overall, allocate capital to maximise long term returns, not short-term profits, and that the behaviour patterns of the investor are a consequence of this efficiency, not an example of the market's inefficiency.

Alex Tolley, Grenfell and Colegrave, 55-61 Moorgate, EC2.

Outperforming the Index

From Mr M. Keeley

Sir,—Mr Gaunt (December 3) is too severe in his fellow underperformers in regarding them to outperform the market index. Nor should he conclude that because a significant number of them fail to do so that securities are not correctly priced with regard to long term company prospects. The two points are interrelated. A characteristic of an efficient securities market is that prices reflect the collective wisdom of the best informed market participants and therefore the market index represents the best that can be achieved over time by holding a diversified portfolio and not, as Mr Gaunt implies, a lower limit which fund managers should be expected to beat.

As Mr Gaunt's figures indicate, some funds will outperform the index in the medium

Letters to the Editor

term but this cannot necessarily be ascribed to better than average judgement but is equally consistent with a high risk-return investment policy or, more simply, with the random nature of price movements. In fact, a number of other studies over comparable time periods indicate that when allowance is made for dealing and research costs virtually no pension funds beat the market and indeed few equal the index. These statistics, however, are not so much cause for alarm as an indication of the healthy level of competition among sophisticated market participants which is required to ensure that securities are, in general, correctly priced.

Michael A. Keeley, Glasgow College of Technology, Cowcaddens Road, Glasgow.

EEC competition rules

From Mr I. Sinan

Sir,—I write in response to Mr M. Sinan's letter (December 2) concerning EEC competition rules. Although one may sympathise with some of the comments (and many of the sentiments in Mr Hermann's article), his reference is made), it should be pointed out that Articles 101 and 102 of the Treaty of Rome, which are proposed as being a powerful instrument to attack distortions created by national laws, have major drawbacks.

Although the second paragraph of Article 101 states that the EEC Council of Ministers must act "by a qualified majority" in issuing the necessary directives, unanimity is more often than not required for action. The second paragraph of Article 102 essentially permits a member state to legislate as it wishes provided that the distortion caused to competition is "detrimental only to itself." In that case, the provisions of Article 101 will not even apply, though such an exception seems hard to reconcile with the view which has been adopted by the European Court of Justice that anti-competitive effect in a substantial part of the EEC (including a member state) would be contrary to the Treaty.

recommendations stages, respectively, especially where the subject matter of debate is of particular importance to, or caused by, one or more of the council's own members.

The EEC Commission is charged with the difficult and thankless task of actually carrying out the not-always-sincere or consistent statements of political intention by the member states. If it can do so within the proper limits of the law, however unsatisfactory these may be at present, it should be free to do so without having to take on the additional burden of intra-council conflicts any more than is absolutely necessary.

Thus, to continue with Mr Hermann's metaphor, it may or may not be welcome by those concerned if the (white) paper were peeled off the cracks and new plaster applied to the wall as a whole. In any event, it is unclear whether even renovation would adequately solve the hitherto troublesome and fundamental question of legal (un)certainty.

Izmir M. Sinan, 3 Verulam Buildings, Gray's Inn WCL.

Half baked patents conference

From the President, Chartered Institute of Patent Agents.

Sir,—Dr Hermann (December 3), "A half baked patents conference" is right to criticise strongly the detail and effect of the present UK procedures of patent litigation, the restrictions on access to barristers, and the rush towards finalisation of the community patent. It must be recorded however that the patent system can and often does serve well the private inventor or small company.

In most instances a patent or patent application is respected by collaborators and competitors alike, irrespective of their size, and patents and applications have formed the basis of many valuable exploitation arrangements by British inventors. The problems arise in the minority of instances where one party to a negotiation adopts for commercial or political reasons a position that the other party considers unreasonable, safe in the knowledge that it can better afford a dispute. The solutions proposed by Dr Hermann were adopted the risk of one party being able to buy success over the other party would be reduced and the value of the patent system to every-

one, large or small, would be enhanced.

It is known that the Government proposes to publish a White Paper and then legislate on copyright, reform and it appears that there may be proposals for patent reform at the same time. I urge that the opportunity be taken for solving, or at least reducing, the problems identified by Dr Hermann. P. R. Lawrence, Staple Inn Buildings, High Holborn WCL.

Faith in the Church

From the Reverend Humphrey York

Sir,—Your Editorial (December 8) on the report of the Archbishop of Canterbury's commission on urban priority areas, Faith in the city, was most welcome. It seems regrettable, to say the least, that Government ministers should be so eager to "rubbish" the report even before it had been published. As a member of the General Synod I received a copy on December 8, nearly embargoed till publication at 2100 hours on December 9.

How is it that ministers who are so touchy about leaks from government sources have no hesitation in using leaked information about other institutions?

Your Editorial makes interesting reading when compared and contrasted with that of December 6 on the subject of the Australian Royal Commission's report on nuclear tests in Australia in the 1950s. In the latter case, the Government seems to be bending over backwards to accommodate the sensitivities of the Australians, where there was no legal requirement to do so. The Church, meanwhile, appears to deserve very different treatment!

Humphrey York, The Rectory, Shewick, Torpoint, Cornwall.

Interest on life policies

From Mr F. Richer

Sir,—On November 18 the Secretary of State for Trade and Industry announced in the House of Commons that interest will in future be paid on policies after the death of the policyholder until the date of the pay-out, a reform for which I have strenuously campaigned. That is the good news. The bad news is that interest will not start to run until two months after the death of the policyholder, with the result that the industry will continue to withhold about £2m per annum from beneficiaries. What is the moral or commercial rationale for this decision? Percy Richer, Upton Britton & Lumb, 9 Leigham Hall Parade, Streatham High Rd, SW16.

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APPEALS FOR SPECIAL CONCESSIONS ARE REJECTED

Pretoria extends debt freeze

BY ANTHONY ROBINSON IN JOHANNESBURG

SOUTH AFRICA yesterday extended its four-month freeze on foreign debt repayments until the end of March while still holding firm to its rejection of requests for exemption.

Dr Chris Stals, chairman of the Government's standstill co-ordinating committee (SCC), said the extension was necessary "to allow sufficient time for the parties to come to an acceptable arrangement for the gradual withdrawal of the restrictions now in force on the redemption of foreign debt."

Dr Stals confirmed that Dr Fritz Leutwiler, the Swiss mediator, had circulated South Africa's proposals for a "longer-term arrangement" for the repayment of \$1.5bn of mainly short-term debt to the 29 leading creditor banks, but he gave no further details.

International bankers said on Monday that the proposals included a four-year, four-month grace period until 1990, before phased repayment of debt would begin.

Dr Stals disclosed that "non-bank creditors and certain holders of

very short-term deposits with South African banks" had appealed for special concessions, but those had been turned down "in view of the continuing pressure on the foreign exchange market." Thus it had been decided to continue the standstill "more or less in its present form."

He added, however: "Efforts are being made to find ways and means of accommodating at least some of their requests."

The South African proposal were submitted to Dr Leutwiler in a 12-page document accompanied by 50 pages of technical details of 50 pages each.

Sources close to the SCC said they were essentially intended as a basis for negotiation. "We want to get around a table with our creditors to discuss a number of options contained in the proposals. They still need a lot of refinement," one said.

A number of banks that have received the proposals are reported to be seeking a higher margin over the London inter-bank offered rate

(Libor) for the frozen short-term loans to reflect the fact that they have, in effect, been converted against their will into medium-term credits. Until now, the Reserve Bank has permitted a margin of only 1/4 per cent over Libor on frozen funds held in special accounts. Those accounts were transferred from the commercial banks to the reserve bank as part of last Monday's package of further exchange restrictions.

Despite the freeze, some creditors have been willing to roll over loans to some borrowers such as the Urban Foundation, which finances black housing development, but requests for higher margins above Libor have had to be referred to the Reserve Bank for permission to pay.

Sources close to the SCC confirm that the South African authorities are sensitive to the demand for higher margins on interest payments and that it is one of the issues to be discussed once negotiations begin.

Some creditor banks expressed

the hope that the South African authorities would agree to a small downpayment of a portion of the \$1.5bn principal as a gesture of goodwill, are, however, almost certain to be disappointed. Next year the South African authorities will have to pay close to \$3.5bn in capital and interest on the \$10.3bn of the total \$24bn debt that remains outside the capital repayment standstill introduced on September 1.

"There is no scope for repaying any principal outside the standstill because we have not got the reserves to do so," sources said.

Last week the Reserve Bank reported in its quarterly bulletin that the capital outflow not related to reserves amounted to 5.4bn rand (\$2bn) over the first nine months of the year. In the third quarter alone the outflow amounted to 2.6bn rand of short-term and 349m rand of long-term capital, which was partially reflected in a 1.5bn rand decline in official gold and foreign currency reserves. Those stood at 4.81bn rand at the end of November.

Germany faces threat of labour unrest

By Rupert Cornwell in Bonn

A SERIOUS new bout of labour unrest is threatening West Germany, after the breakdown last night of three-way talks between the Government, employers and unions aimed at reaching a compromise over a mooted stiffening of the country's strike laws.

After three hours of discussions, chaired by Chancellor Helmut Kohl, the sides were as far apart as ever. "The Government is sticking to its position that the law must be changed," said Mr Ernst Breit, head of the DGB, the central union federation.

"We will be holding an emergency meeting today to discuss what to do next. But as of now I do not see any real chance that an agreement can be reached."

Earlier, an estimated 350,000 engineering workers had held protest rallies up and down the country, and in the streets outside the Chancellery where the talks were held, hundreds of demonstrators last night heard Mr Franz Steinkühler, deputy leader of the militant IG Metall engineering union, warn that the movement would fight to the last if the centre-right coalition went ahead with its plans.

At the centre of the trouble is the proposal to stiffen existing labour legislation by removing the duty of the state to provide unemployment benefits to workers laid off by strike action elsewhere.

The campaign, spearheaded by the employers and the liberal Free Democrats (FDP) Party and backed by some 130 MPs from the ruling Christian Democrats and the Bavarian-based CSU, stems from the seven-week dispute last summer, mounted by IG Metall, in pursuit of a shorter working week.

On that occasion, selective strikes at a handful of key component plants brought the entire national car industry to a standstill, making 400,000 workers idle. The state, after a protracted legal battle, was forced to pay benefits to those indirectly involved in the strike, costing it over DM 200m (\$78.1m).

The Government is now determined that there will be no repeat. An interministerial committee last week finalised draft amendments to the law, stipulating that workers laid off as a result of industrial action elsewhere will not be eligible for benefits if they stand to gain from a successful conclusion to the strike.

But the unions, already under pressure from falling membership and the ignominious collapse of a recent strike at Lufthansa, the national airline, are furious at what they see as a deliberate attempt by a hostile Government to limit their right, which is enshrined in the constitution, to strike.

Their anger has, if anything, increased, after what seems to have been a deliberate leak last Friday, by Mr Martin Bangemann, the FDP Economics Minister, of the proposed changes in the law, intended to force a showdown. Mr Breit has warned of a "hot winter" if the plans go ahead.

Mr Bangemann was, however, unrepentant before attending the Chancellery talks. The amendment to the law, he insisted, did not constitute a curb on the right to strike. But, he told a meeting of textile industry employers, the law had to be changed, to prevent the Federal Labour Office, which pays unemployment benefits, from turning into "a strike fund for the unions."

Suspension of shares at Westland

Continued from Page 1

time should seek firmer political guarantees from his European ministerial colleagues to back the rescue proposals from their three companies.

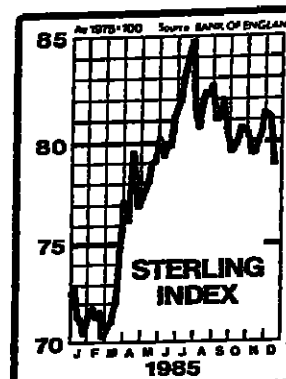
Particularly at issue is ministerial ratification of a memorandum of understanding drafted by the armaments directors of the four governments 10 days ago, under which they would agree both to buy only European helicopters and to rationalise their helicopter production to eliminate competition.

David Marsh in Paris writes: "Aerospatiale, the French state-owned aerospace group, said last night: 'We have had 18 years of fruitful and profitable co-operation with Westland. We want this to continue in the future.'"

Michael Dunne in London writes: "The UK aerospace industry generally believes that a US stake in Westland is preferable to any European participation, particularly because of the likely extensive opportunities for orders in the US through the rest of this century."

THE LEX COLUMN

A matter of interest



The sterling/D-Mark cross rate has done a pretty good job of tracking the price of oil recently; true to form yesterday, the pound fell another 5% pence. At DM 3.64, it has now lost 10 pence in a week to close at its lowest level since March. Quite why the market has taken this long to discount a lower oil price is a mystery; nobody really believed that Opec would be able to sort out its internal production problems - and even if it had, next spring was likely to see the same old problems of oversupply.

In a similar knee-jerk style, sterling bounced back slightly when the money supply figures showed yet another uncontrolled leap in sterling M3. Apart from being distorted by a £1bn accounting discrepancy, the figures now give little indication of whether monetary policy is tight or loose. In the last three months, M0 has risen at an annualised rate of just 3 per cent, while sterling M3 has grown by more than 20 per cent.

The Government is probably just as puzzled as the rest of us, and presumably does not feel inclined to raise interest rates, even with the pound where it is. A 1/2 point increase in base rates would not temper the market's oil worries. And if the Treasury is bothered about the PSBR growing as the oil price falls, it could do worse than allow itself to offset at least some of the effect by earning oil revenues in more valuable dollars. After all, a sterling exchange rate of \$1.43 is nothing to be ashamed of, and might even placate industrialists who cannot now hope for lower interest rates as a Christmas present.

As luck would have it, the Government is anyway being bailed out by other countries. The prospect of action on the US deficit has generated so much excitement on Wall Street that bond yields are now at their lowest for five years. With UK rates standing still, the differential between sterling and foreign interest rates is conveniently widening. Just by keeping rates where they are, the Government is helping to support what is now a nervous currency.

US budget

Now that an attempt at deficit reduction is close to becoming a reality in Capitol Hill, rather than a congressional pipe-dream, the markets are having to do some hasty calculation of the consequences. Although the US bond market has de-

justments to foreign exchange reserves, the company will escape with only a minor impact on its sterling revenue account.

Gold Fields should receive cash proceeds of \$124m, a 25 per cent stake in the new management and the traditional legacy of failure across the Atlantic, monumental tax losses. None of this quite heals the past American scars, its deepest of which was an \$87m Skytop provision in 1983, but at least Gold Fields will have a better defence than Imps if a bidder comes knocking on the door.

Even with Minoro sitting on a 27.8 per cent stake, Gold Fields cannot be feeling exactly invulnerable. While the rand's fall has reduced the market value of its listed investments by £242m since the end of June, the share price is now trading at a discount to the book-up value of the businesses outside South Africa. But, with a market capitalisation of under £1bn, Gold Fields may be too small to interest anyone.

Norcor

Norcor's interim figures for the six months to September are not a good advertisement for its acquisition of UBM. A pre-tax improvement for the combined businesses of only 6 per cent over their performance last year is scarcely a compelling reason for agglomeration; and UBM's builders merchants actually did a little worse than last time. Any advantages in a materials company owning a merchant as a shop-window - and these were certainly open to debate - may well be wiped out by a goodwill write-off in the balance-sheet and the need to spend money on the shops.

Leaving UBM aside, the improvement in pre-tax profit of 31 per cent (to £20.1m) was almost wholly due to a site reconstruction in the engineering division and steady progress in print and packaging. The ceramics improvement has slipped in its tracks; and although Norcor has done well to defend its margin, the flight from competition with Mediterranean tiles seems to have little more to offer.

In fact, Norcor will have work on its hands plugging holes to protect profitability on its larger turnover base and the outlook scarcely demands a rating higher than the single figures implied by market forecasts of under £50m pre-tax for the year.

Oil prices plunge as £ fuels tax doubts

Continued from Page 1

If someone makes huge trading profits.

The exchange deals in contracts for future deliveries of oil which are bought and sold not just by those involved in the industry but by a wide range of speculators. It requires each of its members to deposit \$1,000, a so-called "margin" which would be called on in the event of any individual's inability to meet his commitments. Miss McFadden said yesterday: "I will recommend to our board of directors that the margin be raised."

In Britain, the Treasury's private forecast includes provision for a drop in the oil price of perhaps \$4 from the \$30 prevailing last month. A sharper fall, however, could seriously erode the scope for tax cuts and disrupt the planning of the spring budget. A Treasury study suggests that for each 10 per cent cut in oil prices, government revenues would fall by £750m (\$1,080m) in the first year and by more than £1bn in subsequent years.

On the London money markets, sterling interest rates edged higher for the second day running. The uncertainty caused by oil price falls was compounded by official figures showing a larger than expected increase in sterling M3, the broad measure of the money supply.

The possibility that a rise in UK interest rates might be needed to reverse the pound's slide on the foreign exchange markets was being played down last night both in Whitehall and by senior clearing bank officials.

The view in Whitehall was that it was too early to judge whether sterling's latest decline was more than a temporary upset. In any case, officials stressed that exchange rate movements were only one factor influencing decisions about the appropriate level of interest rates.

There was some concern about the Bank of England's latest money supply figures, which show that sterling M3, the broad money measure, rose by 2 per cent last month to take its annual growth rate over the past three months to 20 1/2 per cent.

Officials suggested that this month's figures were exceptionally hard to interpret because of a £1bn discrepancy in the information reported by large banks. The Treasury has been playing down the importance of sterling M3 since Mr Nigel Lawson, Chancellor of the Exchequer, suspended his 5 to 9 per cent target range for the aggregate in this financial year.

Greater emphasis has been placed on exchange rates and on the narrow money supply measure, M0, in setting interest rates.

UBS to repurchase Deutsche Länderbank from Dresdner

BY WILLIAM DULLFORCE IN GENEVA

UNION BANK OF SWITZERLAND (UBS) is to buy Deutsche Länderbank, a Frankfurt-based wholesale bank, from Dresdner Bank for an undisclosed sum. The deal, announced yesterday, means that UBS is reacquiring a former wholly owned subsidiary.

UBS is the third of the big three Swiss banks to establish a presence in West Germany this year after moves by the Bundesbank, the central bank, to liberalise the domestic financial market.

Credit Suisse has already completed the purchase of Grundig Bank of Fribourg, in Bavaria, and of Effectbank Wiesbaden, in Frankfurt, while Swiss Bank Corporation announced recently that it was to establish its own subsidiary in Frankfurt.

Deutsche Länderbank, wholly owned by Dresdner, has capital

stock of DM 45m and showed assets of around DM 3bn (\$1.18bn) at the end of November. It has concentrated on serving institutional clients, German and foreign alike, and has focused on short and medium-term lending and money-market trading. It also trades in securities and underwrites D-Mark bond issues.

Earlier this year, UBS, based in Zurich, obtained a listing on the Frankfurt Stock Exchange and announced that it was looking for a West German bank to buy.

Deutsche Länderbank was a wholly owned subsidiary of UBS from 1967 to 1969 when 75 per cent of the stock was sold to Dresdner Bank. The rest was sold in 1980.

The repurchase is due to take effect on January 1 but has yet to be approved by the Federal Cartel Office in Berlin.

John Wicks in Zurich writes: Credit Suisse last night announced that it was to open a branch of its West German subsidiary, Schweizerische Kreditanstalt, in Nuremberg. The new branch will specialise in investment consulting and portfolio management for private clients.

UBS is to become the first Swiss Company to list shares on the Tokyo Stock Exchange. The bank announced yesterday that "in the next few days" it would offer 75,000 bearer shares to Japanese investors. Those will form part of a general capital increase approved at this year's annual meeting.

The offer will be managed by Nomura Securities and syndicated through a large group of Japanese securities houses. Application has already been made to the Tokyo Stock Exchange.

UK managers criticised for lack of interest in training

BY JOHN LLOYD, INDUSTRIAL EDITOR, IN LONDON

SENIOR British managers have little interest in training, say little connection between training and company performance, have limited knowledge of the costs or extent of their own training effort and do not know how it compares with those of their competitors at home and abroad.

That picture of deep complacency has emerged from a study of management attitudes to training in 60 large UK companies. It was conducted by consultants Coopers and Lybrand for the Manpower Services Commission (MSC), the agency that administers government job and training programmes, and the National Economic Development Office (NEDO), the secretariat of Britain's primary forum for government-management-union discussions.

Statutory support for training, an approach eschewed by Britain's

Conservative Government, is suggested by the report as a last resort if voluntary efforts fail. The main thrust of the report, however, is for a change in employers' attitudes.

At the same time, ideas for some legislative support for training are now emerging within the MSC, and are being mooted with the Government. Mr Geoffrey Holland, the MSC's director, said yesterday that "interesting possibilities for legislation" were for a statutory "training credit" scheme, under which employees could draw on a "bank" of training credits when required, and for some statutory support for local and regional chambers of commerce to assist them in their developing role as providers of training.

Mr Ron Taylor, director general of the Association of British Chambers of Commerce, said last night: "Some sort of statutory underpinning would assist us. Some 40 (of

86) chambers are now involved in the youth training scheme, and have taken on more than 300 full-time staff. Statutory registration by companies would help us know who is around."

Swift Government action on statutory assistance to training is unlikely, Ministers are aware of the issues, but hope that exhortations from the MSC, NEDO and the Government will result in a change.

The report, however, is heavily critical of current attitudes. In a joint foreword to it, Mr Holland and Mr John Cassels, the NEDO director general, say: "Some employers already show what can and should be done. It has to be said that they are the shining exceptions. As this report demonstrates convincingly, the majority of employers fail to put a high priority on development of their own employees."

News analysis, Page 26

EEC researchers get funding boosts

TWO EUROPEAN research facilities specialising in condensed matter, an area in which the EEC is said to have a 15-year lead over the US and Japan, received important boosts yesterday with the signing of funding agreements in Brussels, writes Paul Cheeswright.

France and Italy agreed to help fund the work programme of Britain's Science Engineering Council laboratory at Chilton, near Oxford. Britain and West Germany, meanwhile, agreed to join France and Italy in the development of a com-

plementary facility at Grenoble in France.

The British laboratory called Rutherford Appleton, was formally opened in October at a cost of \$60m (\$86m). It produces pulses of neutrons which are used to investigate the structure and behaviour of solids, liquids and gases. Experiments started this year.

At Grenoble, the way has now been cleared for the final costing and drawing up of plans to install the proposed European synchrotron radiation facility.

The agreements reflect the quickening pulse of EEC co-operation on intermediate and long-range research programmes designed to improve the competitive position of industry against the advances of the US and Japan.

The Chilton and Grenoble initiatives take their place alongside Community programmes like Esprit, directed at industrial co-operation in information technology, and specific manufacturing ventures like Airbus Industrie.

News analysis, Page 16

Banks back Baker plan

Continued from Page 1

well and adjusting their economies under IMF programmes.

The situation of the debtor countries was better than many have portrayed it to be. Growth this year will be around 4 per cent, while their aggregate current account balance of payments deficit is now less than 2 per cent of gross domestic product. This is less than that of many countries whose creditworthiness is unquestioned, he said.

Ecuador and Yugoslavia would sign multi-year debt rescheduling agreements with commercial banks later this month, followed early next year by Venezuela, Uruguay and the Dominican Republic.

Uruguay's deal will be accompanied by a \$45m credit provided jointly by commercial banks and the World Bank.

Even after the Baker plan was implemented, countries' problems would still be dealt with in a case-by-case way with bank advisory committees for individual countries remaining in place.

Discussions are continuing about a trust fund administered by the World Bank and IMF which could be a way of keeping smaller banks who have tried to walk away from the debt problem in the lending process, Mr Rhodes said.

World Weather

	C	F		C	F		C	F		C	F
America	15	59	Dusseldorf	10	50	Madrid	15	59	Salt Lake	10	50
Algeria	21	70	Geneva	14	57	Moscow	10	50	Seoul	10	50
Amman	8	47	Frankfurt	10	50	Munich	10	50	Shanghai	10	50
Baghdad	15	59	London	10	50	Nairobi	10	50	Singapore	25	77
Bahia	21	70	Paris	10	50	Rangoon	10	50	Stockholm	10	50
Bombay	23	91	Rome	10	50	San Francisco	10	50	Strasbourg	10	50
Buenos Aires	11	52	Vienna	10	50	Seattle	10	50	Taipei	10	50
Calcutta	21	70	Zurich	10	50	Tokyo	10	50	Tel Aviv	10	50
Cairo	12	54				Yokohama	10	50	Wellington	10	50
Chongqing	10	50									
Columbo	23	91									
Dakar	10	50									
Delhi	10	50									
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Sourabaya	10	50									
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Readings at mid-day yesterday.

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FINANCIAL TIMES SURVEY

Financial Futures and Options

FINANCIAL FUTURES may only be 10 years old but they have progressed far beyond adolescence. The wild fluctuations of currencies and interest rates have made futures—and now options too—a vital adjunct of international financial markets.

Yet the industry faces serious challenges. Regulators in Washington are seeking to tighten requirements on traders already squeezed by cut-throat competition. Increasingly sophisticated rival products threaten to draw business away from the trading pits.

The Chicago exchanges—each a pell-mell of flailing arms, urgent cries and multi-coloured jackets—present one of the greatest spectacles of the financial world. They were founded in the last century to trade grain and perishable commodities. But the action has shifted away from agricultural contracts to such an extent that three-quarters of the Chicago Mercantile Exchange's one-acre trading floor is now occupied by financial products.

Volume records have been set in recent weeks. One day's trading in Treasury bond futures on the Chicago Board of Trade topped 350,000 contracts, worth \$38bn. Options are playing a growing role. On the Chicago Board Options Exchange, an astonishing 900,000 stock index options were traded in a single day.

In Britain, the London International Financial Futures Exchange (LIFFE) has in three years grown larger than the commodity exchanges, and too has been setting volume records. They may be modest in comparison with those in the US, but the growth of LIFFE and other exchanges around the world shows that increasing numbers of banks, traders, investment managers and other corporate end-users are embracing futures and options.

Use of futures and options in London is expected to rise sharply as part of the radical changes under way in the City's structure. Futures and options have differing characteristics, but both offer the opportunity to manage risk. A futures contract gives the buyer the right



Financial futures and options have rapidly come to play a vital role on the international scene. However, the exchanges, already under pressure from cut-throat competition, face a number of other challenges. There are moves to tighten regulation in the US, and a growing number of increasingly sophisticated rival products also threatens to draw business away from the industry.

Fast growth on back of market volatility

By Alexander Nicoll

and the obligation to buy a given amount of goods, whether Treasury bonds, soybeans, or anything else, for a set price—a fixed future date. An option affords the right, but not the obligation, to buy the goods.

The pits thrive on volatility of the underlying financial markets. On the one hand, they attract participants in those markets to protect themselves from risk. On the other, futures traders seek to make money out of the rapid price movements.

Three key factors made financial markets candidates for so-called derivative products such as futures and options: the breakdown in 1973 of the Bretton Woods fixed exchange

rate system; the Federal Reserve's decision in 1979 to abandon interest rate targeting, setting the stage for more volatile rates; and the rapid rise in US Government debt. The result has been extraordinary growth of futures and options for currencies, debt instruments and stock indices.

These contracts provide the means to hedge against erratic price and rate movements. But they also attract speculators, and in a highly leveraged manner, since traders only put down a small percentage of the value of the contracts they buy or sell. This, to some, has made the pits an unwelcome entrant into financial markets.

Futures and options ex-

changes do not deny that speculation forms an important part of their markets. They say that it is essential, and that traders risking their capital every day provide a liquid market enabling hedgers to protect themselves from risk in the most efficient possible way. For every risk reducer, there must also be a counterparty assuming risk.

Not all the worries have been still, however. Turnover in the trading pits, particularly that involving large scale arbitrage techniques, has raised concern that the futures market may contribute to the volatility of the underlying market.

This is strenuously denied in Chicago. But there is evidence

that Wall Street stock prices have been unduly affected by heavy activity in stock index contracts, especially around expiry dates.

Separately, some currency traders say that the pound's rapid rise from its lows near \$1 earlier this year was accelerated by the exercise of sterling/dollar options.

Nevertheless, futures and options markets have proved that, as long as underlying financial markets remain volatile, they are here to stay. It would be very difficult for the US Government to hold one of its massive debt auctions without the existence of a futures market, in which Wall Street houses, effectively underwriting

the sale, can lay off their risks.

A stamp of approval came early this year in a study by the Federal Reserve Board (Fed), the Commodity Futures Trading Commission (CFTC) and the Securities and Exchange Commission (SEC).

The regulators concluded: "Financial futures and options markets serve a useful economic purpose, primarily by providing a means by which risks inherent in economic activity can be shifted from firms and individuals less willing to bear them to those more willing to do so."

The markets, they said, "appear to have no measurable negative implications for the formation of capital." The activities of speculators increase the

liquidity of the markets, making it "easier for those wishing to hedge to establish and close out quickly positions in the market and on competitive terms."

Furthermore, the Fed study said evidence showed that futures and options "do not destabilise cash market prices and, indeed, may work to stabilise them."

Futures may have become respectable but the growth of financial products has brought fresh problems for the industry.

The arrival of new participants, especially from New York, has intensified competition. Commission-cutting has forced many old-line commodity trading firms out of business.

Others have been swallowed—with most employees losing their jobs—into fast-growing, low-overhead firms such as Refco. New giants have arisen in the market place, notably Chicago Research and Trading, which specialises in arbitrage.

With many firms thus struggling to make a profit, the industry has suffered a serious jolt as a result of the demise of Volume Investors, a member of the New York Commodity Exchange (Comex). The firm went into receivership in March, unable to meet \$20m of margin calls made on its customers in gold options when the gold price jumped \$39 in one day. Such calls ask the firm or its customer to put up additional capital to finance a position.

The unusual feature of the case was that about 100 uninvolved customers of Volume Investors found their accounts, totalling \$14m, summarily frozen by the Comex. The funds are still tied up as the affair goes through the courts. Normally, customer accounts at a failing brokerage firm are quickly transferred by exchanges to other member firms.

The incident rang alarm bells at the CFTC, which has a particular need at present to be seen as a tough regulator. Its very existence will be questioned in 1986 when it comes up for reauthorisation by Congress. In August, the Commission proposed sweeping changes in the way futures exchange members calculate their capital.

Many futures firms have expressed strong opposition to the plans, which are now being reconsidered. CFTC staff will come up with a recommendation about the agency's next step, during the first quarter of 1986, and the period for public comment on the proposals has been extended until March.

The Chicago Board of Trade, on behalf of its members, has been vociferous in opposing the CFTC moves, and has formed a \$1m legal defence fund. It says

Continued on Back Page

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Financial Futures and Options 2

Hesitant steps on road to success

Liffe

ALEXANDER NICOLL

THREE YEARS after its launch, the London International Financial Futures Exchange (Liffe) has established itself firmly as the largest futures market outside the US.

This not inconsiderable feat is too easily forgotten in a comparison of Liffe's volume with that of the much larger US exchanges. It was only 10 years ago that financial futures were first invented, and then in US markets where the futures concept was long established.

Britain's embrace of financial futures is, however, still hesitant. Although several of Liffe's contracts have gathered momentum which should ensure their future, others have yet to get off the ground.

Liffe still has a long way to go in attracting institutional and speculative interest, and continually faces challenges from the cut-throat competition between exchanges worldwide.

Within the past year, there have been several important developments. Mr John Barkshire, chairman of the financial services group, Mercantile House, stepped down as Liffe chairman after seeing the exchange through its first 2½ years.

He had been the driving force behind its establishment. Mr Brian Williamson, a managing director of National, the discount house, has replaced him and has set ambitious goals for the exchange's growth.

He has already overseen an important policy advance, laying plans for Liffe's first formal link with another exchange and at the same time taking a bold step towards capturing the potentially huge Japanese demand for derivative financial products.

On the eve of the Tokyo Stock Exchange's launch in October of Japanese government bond futures, Mr Williamson and Mr Robert Goldberg, chairman of the Chicago Board of Trade, announced in Tokyo that the London and Chicago exchanges would jointly trade a "fungible" (interchangeable) yen bond contract, probably from next year.

Faced with such an aggressive approach, Japanese officials have adopted a softer line than the outright opposition they had previously shown to an overseas yen bond contract.

Japan is also allowing its residents to trade foreign financial futures contracts for the first time, a move which is expected to boost Liffe's volume substantially.

The most important step actually implemented during the year was the launch in June of Liffe's first options: a \$25,000 sterling/dollar physical option and a contract based on the exchange's successful Euro-dollar futures. The currency option was launched amid a scrap with the Stock Exchange, which rushed to introduce them first.

With overall market volume boosted by turbulence in exchange rates, Liffe is showing higher volume than the Stock Exchange, partly thanks to an introductory "fee holiday" for members. The Stock Exchange is hoping that a trading link with the Philadelphia Stock Exchange, which pioneered currency options, will establish it as London's central market for them.

The Eurodollar option has had a predictably slower start. But the related futures contract is now well established as Liffe's most successful product, followed by US Treasury bond and UK interest rate contracts.

The latter were augmented in September by a new short gilt future, providing market users with hedging instruments all along the yield curve.

Liffe's gilt contracts are expected to get a significant boost next year from the restructuring of London financial markets. Instead of the two jobbers who have long dominated the gilt market, there will be 20 primary market-makers along US lines, and including most of the major players on the huge US government securities market.

They are expected to make greatly increased use of the gilt futures markets both to hedge their positions and to make additional trading profits. Liffe's greatest disappointment in the past year has been the failure of its stock index future, based on the Financial Times-Stock Exchange 100-share index, to develop significant volume. This has been variously ascribed to lack of speculative interest, the costs of arbitrage with the underlying market, slowness of fund managers to adopt hedging strategies, and even to the quality of the index itself.

There are strong hopes, however, that volume will be boosted by the current restructuring of London markets and City institutions.

Mr Michael Jenkins, Liffe chief executive, says the 40 per cent rise in futures volume over the past year has been healthy if not spectacular. Significant progress has been made towards reducing the costs of doing business on Liffe, through deals with the International Commodities Clearing House (ICCH).

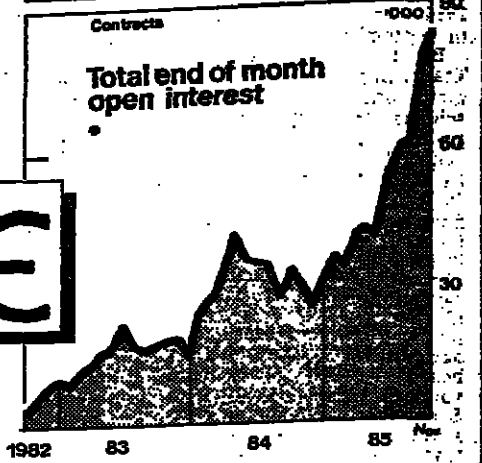
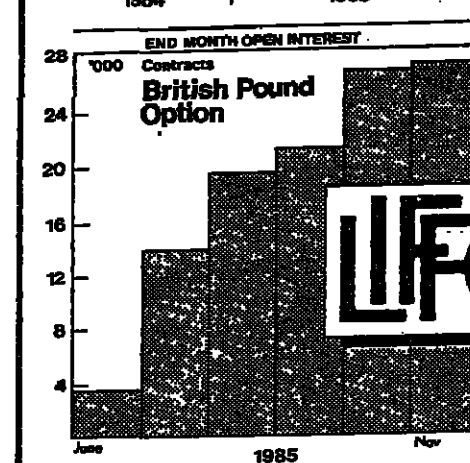
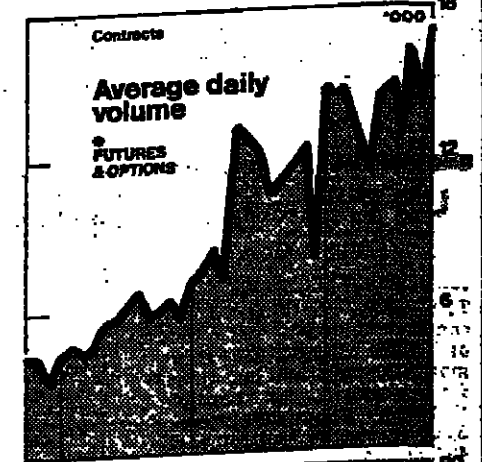
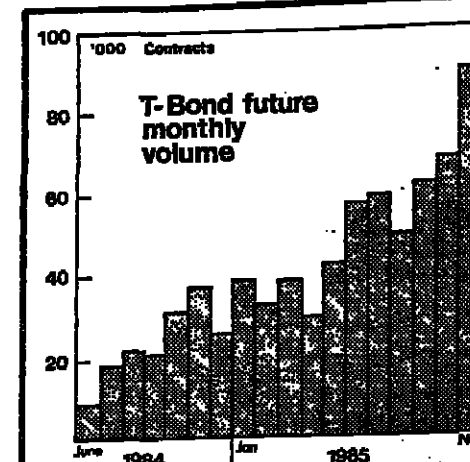
The number of inactive members has fallen, Mr Jenkins says. Against charges that Liffe has failed to attract a sufficient number of individuals to act as "locals" — providing vital liquidity in the pits as in Chicago — he says the number of locals has doubled over the past year to 37, and that they account for 9 per cent of total volume as against 3½ per cent a year ago.

Though Liffe naturally hopes to attract more people to risk their capital in the pits every day, it is also anxious that the number should not grow disproportionately with the amount of customer business received by exchange members.

"It is no good bringing people in without a sufficient degree of outside orders," Mr Jenkins says. Locals have got to make a living and they won't do it simply by trading among themselves.

Liffe does admit that it could have put more resources into marketing — though the expenses of founding the exchange left little in the budget, and there were even doubts among members about whether the exchange, rather than they themselves, should go out and sell the products. Emphasis has now been stepped up with the hiring of a new marketing executive.

The exchange has also had to face up to another crucial issue: self-regulation. After toying with the idea of forming itself into a self-regulatory organisation (SRO) — as planned by the Stock Exchange



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new futures market, suggest that there could be huge potential for Liffe and the CBOT.

The Liffe/CBOT link breaks new ground for both exchanges, and will need to get over several regulatory hurdles. Liffe has previously preferred to avoid formal links. It is friendly with most US exchanges and already has strong informal ties with the CBOT.

Until now, Liffe has suggested that the best way to achieve "mutual offset" — essentially, using positions on more than one exchange to calculate margin requirements — was through links between clearing houses rather than between exchanges.

The emphasis is clearly changing, especially with the gathering prospect of round-the-clock trading in many instruments. The Sydney Futures Exchange has announced plans to launch a Eurodollar futures contract and says that it is interested in a link with Liffe.

With more new contracts thus on the horizon, Liffe must give thought to the claims for space on its floor under the dome of the Royal Exchange. It is likely to shift trading in some of the less active contracts to an automated execution system. There are a number of systems on offer which Liffe could adopt.

Mr Jenkins says that a pit with only one or two people regularly in it, though providing a market, is not a genuine open outcry system. Automation, for example, some of Liffe's currency contracts could make their continued listing and trading more efficient and less costly.

Options are being considered on gilt and T-bond futures as well as on the D-mark. Further ahead, Liffe is considering a futures contract based on D-mark interest rates.

The most important innovation, however, will be Japanese government bond futures. Mr Williamson estimates that the London cash market in Japanese government bonds already has daily volume of \$300m. The opening up of Japanese markets, and the roaring start seen in Tokyo's

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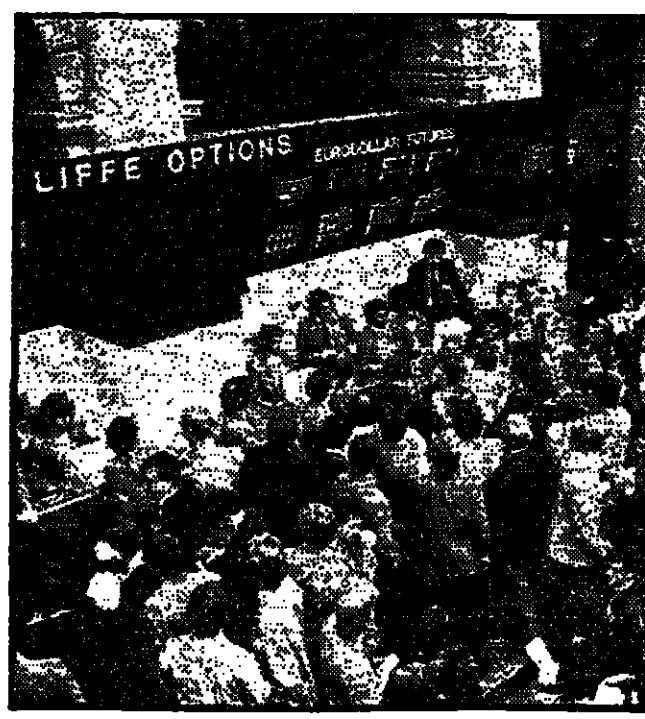
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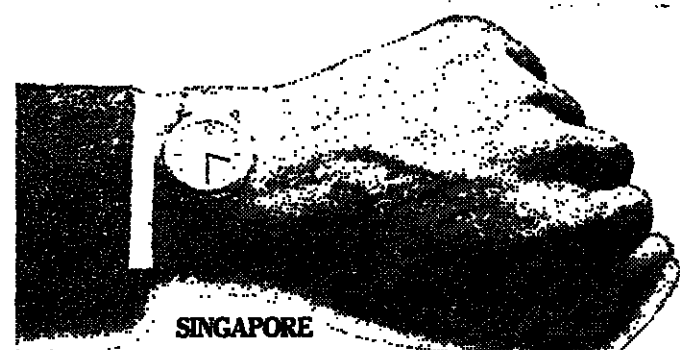
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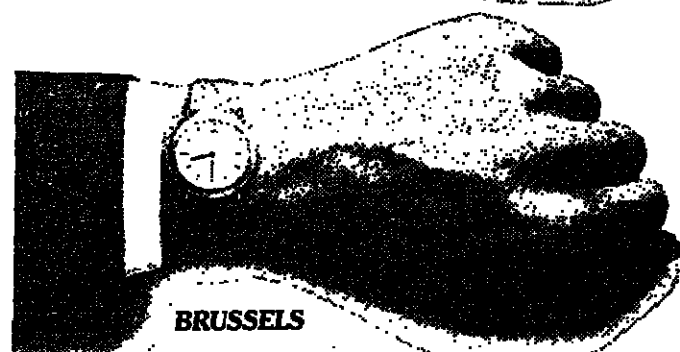
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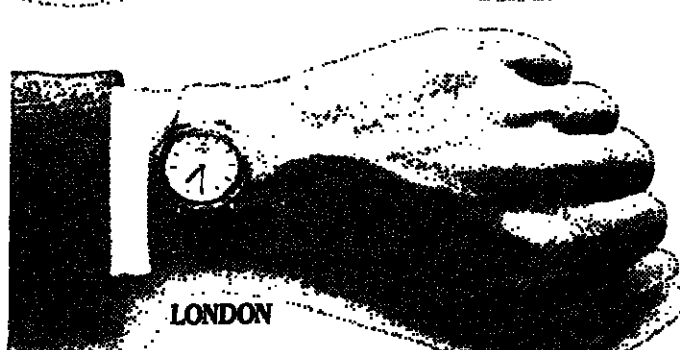
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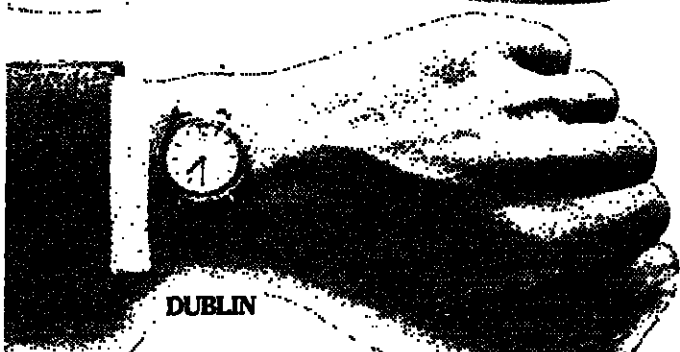
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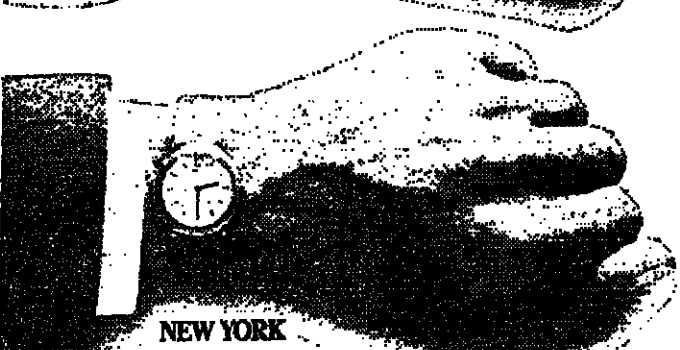
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Financial Futures and Options 3

A bright spot in the gloom

US Exchanges

NANCY DUNNE

THE GNMA mortgages futures contract on the Chicago Board of Trade, used to hedge home mortgage instruments, has seen far better days. Last September, it recorded a volume of just 3,500 trades, down from almost 39,000 trades in September 1984 and nearly 91,000 trades in September 1983.

But the folks at the Board of Trade, mindful of GNMA's past glory and hopeful of a new scheme to settle GNMA's in cash, threw a party for the contract last month to celebrate its tenth birthday. GNMA was, in fact, the exchange's first financial futures contract, and for that reason the CBT owes it some gratitude.

Financial futures provide a ray of light in an otherwise gloomy picture at the world's largest futures exchange. Every agricultural contract on the board recorded depressed volumes between January and September of this year. The small-lot precious metals contracts, which once seemed so promising, turned in fewer trades than 1984, and the CBT's attempt to challenge the supremacy of the New York Mercantile Exchange in energy futures has met with little success.

In the first nine months of the year total CBT volume fell to 61.2m from 52.2m in the first three quarters of 1984. But fortunately, the exchange is the home of treasury bond futures, the most highly traded futures contract in the world. Six hundred traders, standing shoulder to shoulder in the T-bond pit, traded 28.3m contracts between January and September, up from 22m contracts the year before.

T-bonds alone achieved a higher volume than most of the world's exchanges. Only the Chicago Mercantile Exchange (CME) had more trade in the US, if you add all its contracts together.

Treasury bond options have also been spectacularly successful. Volume in the first nine months of this year rose from 4.8m to 8m contracts, making the option the third highest volume future contract in the US.

The decline in the CBT's agricultural contracts and the rise of its financials are a long-term trend, reflected throughout the industry. But this is the first

year that volume in interest rate contracts alone has surpassed total farm future trades. Mr Leo Melamed, one of the designers of financial futures at the Chicago Mercantile Exchange, believes the switch was inevitable. "The CME always believed that financial markets offered more potential in terms of investments and uses than did the agriculture markets. More people can utilise financial markets, whereas a limited universe is going to utilise agricultural futures," he says.

The CBT has other successes beyond T-bonds. Its 6-10 year

maxi contract recorded a volume of 72,000 and the first MMI contract had 39,000 trades. Action for the two combined was considerably less than in September, 1984, when the MMI alone had a volume of 234,000. Stock index contracts have, in fact, turned in a mixed performance. Volume at the Kansas City Board of Trade in Value Line Index futures climbed from 70,000 contracts in September, 1984, to 108,000 contracts last September. Trading in the Standard and Poor 500 Index on the CME rose from 1m to 1.2m contracts from September to September, 1984, and

months, 5m Deutsche Mark contracts changed hands, 2.2m British pound contracts, 354,000 Canadian dollars, 3.6m Swiss franc and 8,700 French francs. Trading was off in the first nine months for the yen, because, according to one analyst, "No one was prepared to make the market in the face of the Japanese banks' disapproval." The group of five trading in September brought a pick-up to yen volume, and there were hopes that the start of futures trading in Tokyo last month would spur higher volumes.

The CME's Three-Month Eurodollar Contract, once a slow, steady climber, has grown strongly this year. Volume in the first nine months surged from 2.6m contracts to 8.5m. Analysts say the Eurodollar has drained business from the domestic 90-Day Certificate of Deposit Contract, which recorded plummeting volumes this year, as well as 90-Day Treasury Bill Futures.

One of the most disappointing performances of the year has been the New Consumer Price Index Future on the Coffee, Sugar and Cocoa Exchange. Floor traders are apparently keeping it alive both out of loyalty to the exchange and the belief that inflation will once again make its appearance in the US economy, and that companies with cost-of-living labour contracts to hedge will have by then learned to use the futures market.

The big exchange rivalry of the year got its start last month when both the CME and the CBT introduced over-the-counter stock index contracts and prepared to fight it out for leadership in the field. The new Philadelphia Board of Trade, an offshoot of the Philadelphia Stock Exchange, was the first to launch an over-the-counter future, based on an index developed by the stock exchange.

A US dollar index contract was introduced early this month by the New York Cotton Exchange, making its first venture into financial futures. The index is based on the Federal Reserve Board's Trade-weighted Dollar Index, which is calculated against a basket of eight European currencies, and the contract is being updated every minute during the trading day.

To compete with the individual currency contracts on the CME, the Cotton Exchange invited the floor traders of the other New York exchanges to use its pit.

The financial sector offers more potential than agriculture markets in terms of investments and uses. More people can utilise the financial markets, whereas a limited number of players are going to make use of agricultural futures.

Treasury Note future is also growing nicely. From a volume of 140,000 in September, 1984, T-note trading jumped to 213,000 volume last September.

Showing promise for future growth is the CBT's Municipal Bond Index contract, introduced in June after eight years of analysis and consultation with the municipal bond industry. By October, municipal bonds achieved a daily volume of about 2,500 and open interest of about 5,000 a day, and exchange officials figured it was a sure winner.

Less sure is the board's stock index contracts, which by September showed signs of fading. The major market index, a "Dow Jones look-alike," grew much faster than anticipated after its introduction in July, 1984. It reached 1m in volume in 79 days and 2m after 141 trading sessions.

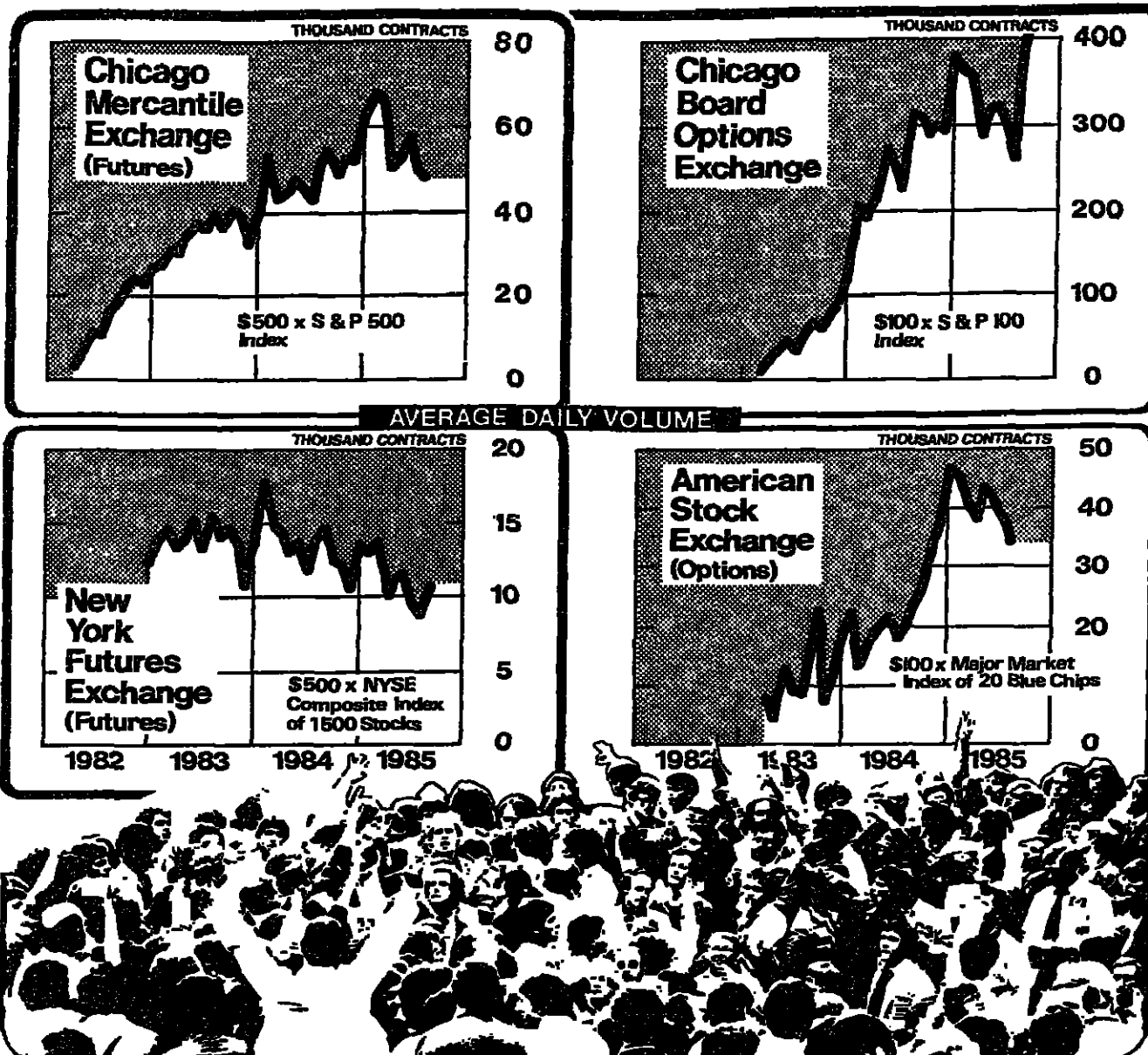
But trading began to slow, and the CBT introduced a second stock index contract, the Major Market Maxi Index, designed to attract institutional players. In September, the

achieved a volume of nearly 11m in the first nine months of the year, making it the second highest trading contract in the US.

However, trading in S & P 100 Index futures has virtually disappeared, and the New York Stock Exchange Composite Index, the one viable contract on the New York Futures Exchange, has slipped from 282,000 in September, 1984, to 213,000 in September, 1985.

In the first nine months of this year, volume in equity indices rose from 13.3m contracts in the first nine months of 1984 to 16m contracts. More impressive was the growth in foreign currency trading which, during the same period, bounded from 13.6m contracts to 20m.

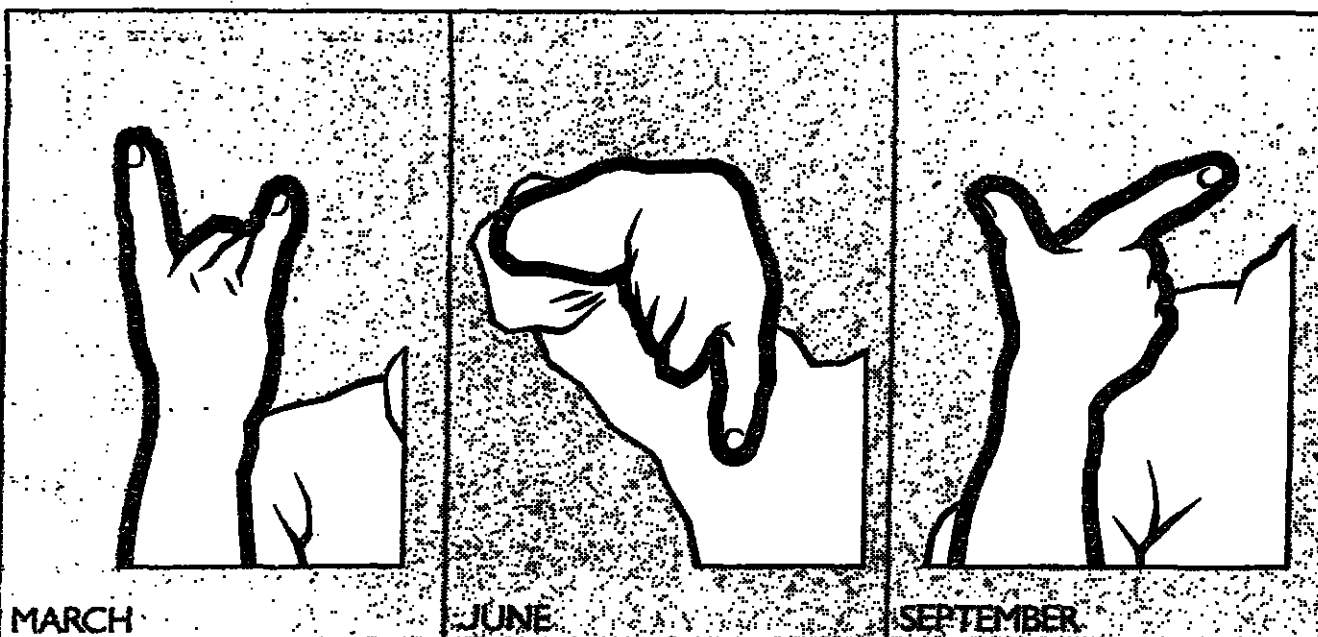
The chief beneficiary of the currency boom has been the CME, one of the three US exchanges to show a total volume increase from January to September this year. Of its seven currency contracts, five have improved performances this year. In the first nine



25 Most Actively Traded Contracts

Rank	Contracts by Exchange	First half 1985 average daily volume (in thousands of contracts)	Relative ranking 1984	Relative ranking 1985
1	T-bonds (CBOT)	151.5	1	1
2	S. and P. 500 Index (CME)	60.6	2	5
3	T-bond Options (CBOT)	41.8	7	23
4	Eurodollar (CME)	36.3	9	—
5	Gold 100 oz (COMEX)	34.4	4	4
6	Soybeans (CBOT)	28.2	3	2
7	Deutsche Mark (CME)	25.4	8	19
8	Corn (CBOT)	24.0	5	3
9	Silver 5,000 oz (COMEX)	22.3	6	6
10	Swiss Franc (CME)	17.6	10	12
11	Live Cattle (CME)	16.0	13	7
12	Soybean Oil (CBOT)	15.7	11	10
13	Crude Oil (NYMEX)	15.6	24	—
14	Major Market Index (CBOT)	13.4	—	—
15	Soybean Meal (CBOT)	12.6	12	9
16	NYSE Composite Index (NYFE)	12.3	14	13
17	T-Bills (CME)	11.4	15	11
18	Copper (COMEX)	11.3	17	16
19	Sugar No. 11 (CSCE)	11.2	18	15
20	British Pound (CME)	10.9	—	24
21	10-year T-Notes (CBOT)	10.6	25	—
22	Wheat (CBOT)	8.1	16	8
23	Heating Oil No. 2 (NYMEX)	7.9	21	21
24	Japanese Yen (CME)	7.3	19	14
25	Live Hogs (CME)	7.1	20	17

Source: CBOT



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Financial Futures and Options 4



Trading floor of the Chicago Board of Trade. In October, Mr Robert Goldberg, chairman of the CBOT, and Mr Brian Williamson, chairman of LIFFE, announced that the London and Chicago exchanges would jointly trade a "fungible" yen bond contract, probably from next year.

A global defensive strategy

International Links

ALEXANDER NICOLL

FUTURES AND options exchanges not only compete fiercely against each other. Just like stock exchanges, they feel chill winds blowing from developing off-floor markets.

Hence the fashion for trading links between exchanges, involving the application of communications and clearing technology in an effort to produce round-the-clock markets.

The trend reflects the desire of exchanges to add liquidity to their markets in any way possible. But it is also a defensive strategy to prevent them from being left out in the cold as financial markets become increasingly global in nature.

The largest international brokers and banks already trade on most exchanges around the world. It is to their advantage to pass orders on to the next time zone, to be able to get in and out of positions at any time, and to do so as cheaply as possible.

Mutual offset—allowing trades on more than one exchange to offset each other in calculation of net positions and margin requirements—represent an important step towards greater convenience and lower costs for such firms.

The development of parallel off-floor markets, as over-the-counter currency options, forward rate agreements, and trades known as Exchange for Physicals, underline the need for exchanges and Exchange Commission, or the Commodity Futures Trading Commission, or both. This takes time and effort.

Several attempts to form links have, however, run into thorny problems. Who is to regulate them? Do links involve the extension of one regulator's jurisdiction into another country? Would the regulator's power be weakened in the event of a dispute or fraud? Would investors who took advantage of trading links be properly protected? And how are they to be taxed?

Since the US dominates the futures and options business, most proposed links involve a US exchange. That means each application must come under the close scrutiny of either the Securities and Exchange Commission, or the Commodity Futures Trading Commission, or both. This takes time and effort.

Several extensive links are already in place. When the Singapore International Monetary Exchange (SIMEX) launched financial futures in September 1984, it did so in close association with the Chicago Mercantile Exchange (CME). SIMEX has three contracts—Eurodollar, D-mark and yen—which are interchangeable with identical CME contracts.

The SIMEX link was relatively easy to establish partly because there was no existing financial futures market in Singapore. The Monetary Authority of Singapore was closely advised by the CME in setting up the market's regulatory structure. Not surprisingly, this closely parallels that of the CFTC-regulated CME, and thus met US Government approval.

Essentially, the three current SIMEX financial contracts represent an overnight extension of the CME, and a significant proportion of their volume is done by members trading for CME customers, notably banks. Trading was slow initially, but has picked up. Progress has been officially deemed satisfactory, and there have been no technical problems. Japanese banks are expected to become more active users of both exchanges as the Tokyo govern-

ment relaxes restrictions on foreign futures trading by Japanese residents.

The success of such a link clearly depends on each exchange having faith that regulators in the other's country do not unilaterally impose damaging rules.

Similar faith underlies a more complex link between the Amsterdam-based European Options Exchange, the Montreal Exchange and the stock exchanges of Sydney and Vancouver. Their association affords the opportunity to trade gold options, if not 24 hours a day, then at least for 20—the odd hours being Sydney's stoppage for lunch, and a gap between Sydney's close and Amsterdam's opening.

The essence of the link is that traders can put in limit orders—to be filled when the market reaches a certain level. At the close of one exchange, the limit order book is passed electronically to the next time zone. Traders anxious about their position can sleep soundly knowing that if the market reaches the specified price, their order will be executed.

Recently, the Amsterdam and Montreal exchanges expanded the arrangement into currency options. The EOE introduced a "jumbo-size" £100,000 sterling/dollar option identical to Montreal's existing contract and the two became "fungible"—interchangeable. This has yet to have any noticeable effect on volume. Further additions are possible. Both Sydney and Montreal may add Australian dollar options.

The four exchanges are joined together by their jointly-owned clearing house, the International Options Clearing Corporation, based in Amsterdam. Links are naturally much easier to form if exchanges have a common clearing.

Mr Robin Schweitzer, supervisor of options markets for the Montreal Exchange, says the exchanges met few regulatory problems in Canada, where pro-

vincial governments, in this case for Quebec and British Columbia, regulate financial markets. IOCC was set up as an international company which would comply with local Dutch standards and would also make special provisions for regimes in the Canadian provinces and Australia.

The link, like that of CME and SIMEX, has yet to be put to the test in a regulatory or trading crisis. But it would provide regulators with the right to demand information about individual trades if necessary, Mr Schweitzer says. He describes the arrangement as a "flexible framework based on a private understanding between the exchanges."

It is unlikely, however, that such flexibility can be obtained in a link involving a US exchange. Regulatory delays and problems in working out precise clearing arrangements have delayed until next year the London and Philadelphia Stock Exchange's plan to link their currency options.

Both exchanges, facing stiff competition from the rapidly growing number of exchanges also launching currency options, believe a link will give them the edge even though US residents are not allowed to trade foreign options. A large proportion of Philadelphia's existing business emanates from Europe.

One of the major problems faced by these two is that they have different clearing corporations, with different cost structures—the Chicago-based Options Clearing Corporation for Philadelphia, and the International Commodities Clearing House for London.

However, details of the link are expected to be worked out soon and the Securities and Exchange Commission, as well as the British authorities, are expected to give their blessing. A Far Eastern leg to the link is expected to be added later.

Associations are also planned between the Sydney Futures

Exchange and the New York Comex, for gold futures; between the Chicago Board Options Exchange and Instinet, the computerised trading system, for equity options; and between the London International Financial Futures Exchange (LIFFE) and the Chicago Board of Trade, for yen bond futures.

There are also many other more vague discussions under way. LIFFE, for example, has been approached by the Sydney Futures Exchange on Eurodollar futures, and has had talks with virtually every US exchange, which have yet to lead to firm decisions.

The problems involved are not just technical and regulatory. They are also political, in that contracts which are potentially fungible are also potentially in fierce competition with each other. Also, what may be in the interests of the large international brokers may not be so advantageous for smaller local traders and brokers on individual exchanges.

If one exchange trades 20 times the volume in a given contract than another exchange, the larger exchange may fear that a link with the smaller will sap liquidity and provide no benefit to its market, giving something away for nothing; but the smaller exchange may fear that a link would allow its volume to slip away completely to the larger.

"David and Goliath situations are quite difficult, whether you are the David or the Goliath," says Mr Michael Jenkins, chief executive of LIFFE.

Despite such difficulties, the increasing globalisation of all financial markets, and the need for exchanges to keep their share of them, seem set to ensure that more links will be forged. They are unlikely to solve the liquidity problems of non-US exchanges at a stroke, but the attraction of at least some foreign participation may help.

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Financial Futures and Options 5

Trading volume set to soar after Big Bang

Equity Options

JOHN PARRY

BY THIS time next year the trading volume of options on the London Stock Exchange could be anything between 25,000 to 50,000 contracts a day, according to one of its major users, brokers James Capel. The higher figure would be a five-fold increase on recent average volumes.

Only part of this increase will be attributable to the effects of Big Bang. Market-makers and users alike are also convinced that there will be a parallel growth in option trading as private investors learn to profit from highly leveraged trading.

Big Bang will end single capacity and fixed commissions in the underlying stock and traded option markets alike. Exactly how these changes will affect options activity is impossible to predict with any precision. Pinchin Denny's Mr David Steen, chairman of the Stock Exchange's option committee, is convinced that the UK market will follow the example of the more established US options business, where the

combined volume of options traded on all US exchanges is measured in millions of contracts. It is not unusual for a US option contract to trade three or four times more than the volume of trading in the underlying stock.

Mr Steen is also convinced that the increase in market-making capacity, which will emerge when the jobber/broker distinction is broken down, will lead to greater price-making risks. These will encourage more use of the defensive aspect of options.

He suggests that increased competition between more market-makers may increase both the volatility of prices and their exposure to a jobbing risk. Market-makers will want to offset that exposure. A market maker quoting two-way prices in a volatile stock could find himself funding a substantial loss if the price moves away after his offer price has been taken up. And, with more firms making prices, the competition to make narrower prices will increase. Any market-maker who feels at risk from an adverse price move should buy option protection.

This additional demand for traded options will encourage increased competition among specialist option market-makers,

which should lead to more efficient prices than are presently available.

Mr Steen is adamant that more efficient prices follow increased liquidity. But then Pinchin Denny is a jobber.

Brokers may not agree. James Capel's David Heron, one of the market's biggest option brokers, considers that the use of traded options by clients, both as outright trades and as hedges, could have been increased had the bid/offer spreads on the premiums been narrower.

He quotes popular option premiums of around 25p each (giving a contract value of £250 for the 1,000 share option contracts) which show a 20p to 25p buy/sell spread. The option buyer has to expect an increase of 20 per cent on his original investment just to come out even.

Mr Heron notes that such spreads, though common, are outside the ranges recommended as guidelines by the Stock Exchange.

In fairness the common contention of the jobbers, that spreads will narrow in an active market, was borne out by the experience with British Telecom options. Smith Bros, the pitch's largest market-makers, recall that Telecom option spreads

were less than half the exchange guidelines during their active period.

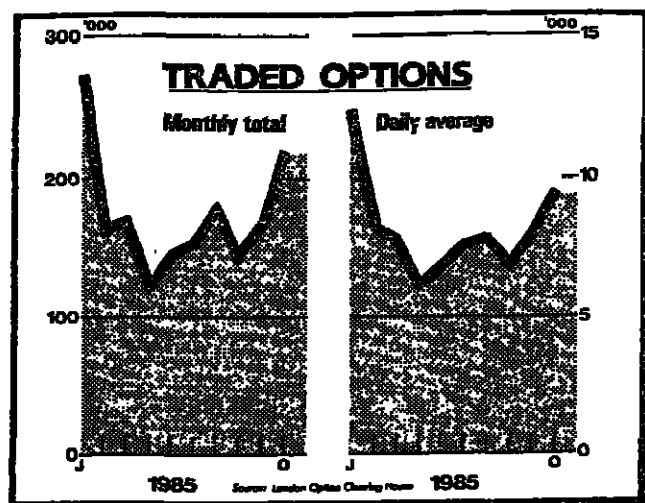
Brokers, such as James Capel, consider present commission levels are fair. A typical private client investment in say 10 option contracts with a 20 premium would cost £2,000 for the contracts plus £75 in and £45 out, or 1.2p per share.

Given the rather more specialist nature of traded option dealing, Mr Heron does not expect a drastic reduction in commission level when the fixed structure is abandoned.

Fund managers, however, do expect reductions and are likely to exert pressure to get them, according to Mr George Dennis, investment manager of Postel, the UK's largest pension fund.

Mr Dennis, a supporter of options as a means of increasing flexibility and improving fund performance, considers that derivatives such as options are inevitably going to play an increasingly dynamic part.

Improving performance includes reducing dealing costs, not just in big block share dealings but in the whole range of products offered by the industry. And if the new look UK houses are not prepared to be so competitive the US houses are, he states,



If all this seems to be so much jockeying for a professional advantage before Big Bang, what will happen to the private investor anxious to try his skills at fortune-making in options?

The availability of more efficient prices, plus better liquidity in which to execute an order, should encourage more retail use of traded options. At the same time the

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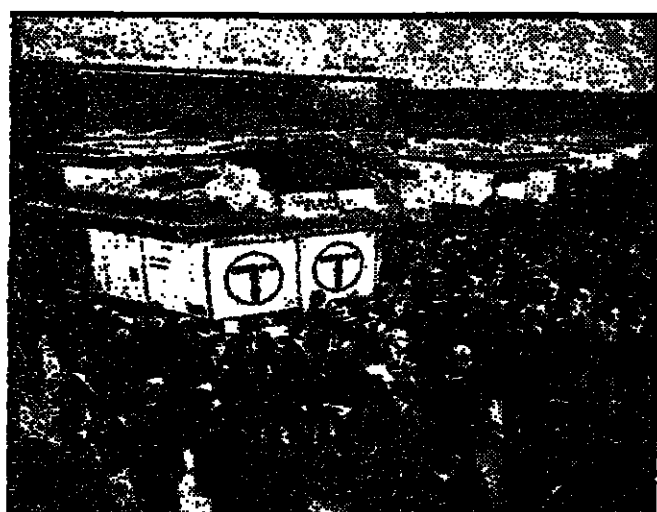
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The rotation of British Telecom on the London Stock Exchange. The contention of jobbers that spreads will narrow in an active market has been borne out by experience with British Telecom options

Alexander Nicoll explains terminology in the options market

Knowing language is half the battle

OPTIONS are not as difficult to grasp as may at first appear. Knowing the language is half the battle. Here is a glossary of some key terms.

An option provides the buyer with the right, but not the obligation, to trade a specified amount of an underlying entity at a fixed price within a given period. The end of this period is the expiry date. The seller has the obligation to take the other end of the trade if the buyer exercises—that is, takes up—the option.

Options are available on a wide range of underlying entities, including equities, commodities, currencies, interest rates and stock indices. Some options are based on futures contracts rather than directly on the underlying commodity.

When an initial transaction takes place, the buyer generally pays a premium—that is, the price of the option—up-front to the seller, who is usually called a writer.

Options are either traded—that is, listed on an exchange and traded through members of that exchange—or "over-the-counter" (OTC)—that is, offered usually by banks and not tradeable. An American-style option may be exercised at any time before expiry, and a European-style option may be exercised only at expiry.

A futures contract provides the buyer with the obligation to take delivery of, and the seller with the obligation to deliver, a specified amount of an underlying entity at a fixed price and set future date. Once a position is opened, it can either be kept open until delivery at expiry, or closed by a reverse transaction—as is almost always the case. Options bring an extra dimension, because the buyer has additional avenues to follow. The option can either be sold, exercised either before or at expiry, or abandoned to expire worthless with no delivery taking place.

The most active OTC options are on currencies against the US dollar. The most active traded options are based on stock indices. Like many options and futures contracts, they are cash-settled, meaning that delivery will be of a representative cash amount rather than in actual shares of the companies in the index.

A call option provides the buyer with the right to buy the underlying entity, and a put option with the right to sell the underlying entity. The writer thus has the obligation to deliver the goods if a call option is exercised, and the obligation to take delivery if a put option

is exercised. The premium of a call option will tend to go up if the price of the underlying entity is rising or expected to do so. The premium of a put option will tend to rise if the price of the underlying entity is falling or expected to do so.

Each option has a strike price, the fixed level at which it may be exercised. For example, a sterling \$1.50 call option would give the buyer the right to buy a fixed amount of sterling in exchange for dollars at a rate of \$1.50. It would become attractive to exercise the option if sterling's actual level on the foreign exchange markets rose above the breakeven point—the sum of \$1.50 and the price of the option itself. A buyer who paid 5 cents for a \$1.50 option would save money on buying pounds if the pound rose above \$1.55.

The price of an option will depend crucially on three things: the relation of the strike price to the market price of the underlying entity, the amount of time that the option has to run before expiry, and the volatility of the market price of the underlying entity.

If the strike price is at or close to the actual market price of the underlying entity, an option is said to be at-the-money. In the above example, a sterling \$1.50 option is at-the-money if sterling is itself trading at about \$1.50. If sterling is well below this level—in other words, if there is no incentive to exercise it—the option is out-of-the-money. If sterling is trading above the strike price—if it makes sense, other things being equal, to exercise it—the option is in-the-money. The difference between the strike price and the actual market level is described as an option's intrinsic value.

An option also has time value. The longer the time to run before expiry, the greater the chance that the option will at some point go in-the-money and have intrinsic value. An out-of-the-money option has no intrinsic value, only time value. An option with only a few days to run may or may not have intrinsic value, but will have very little time value.

The price of an option will also be affected, like that for any other commodity, by supply and demand factors independent of the technical components of the price.

A writer sets the premium according to the likelihood that an option will be exercised. Ideally for the writer, an option will simply provide premium income and will never be exercised. Exercise will expose the writer to potential

losses—just as an insurance company will lose money if claims exceed its premium income.

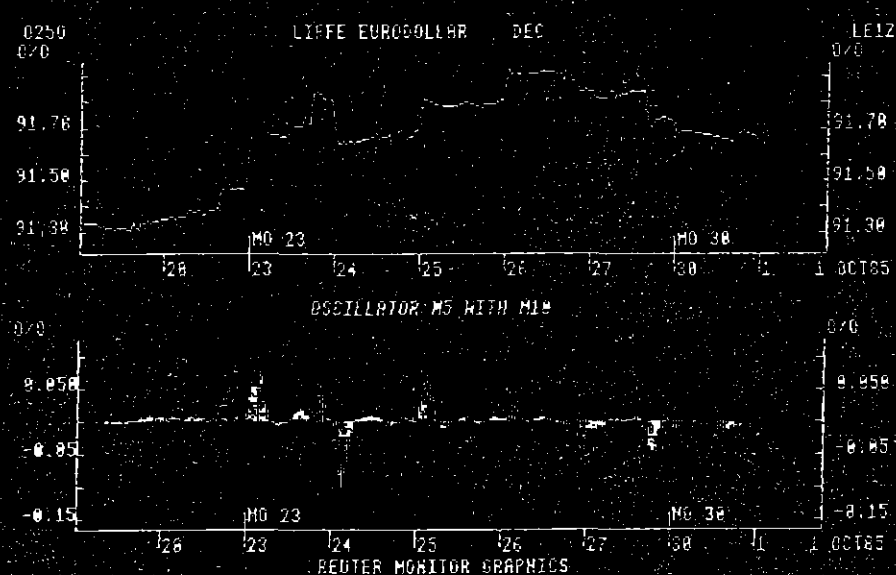
Thus, the greater the likelihood of exercise, the higher the premium. The key factor enabling the writer to assess the risk, and thus set the premium, is the volatility of the underlying entity's price. If sterling has been steady at \$1.40 for six months, it could be argued that a \$1.70 option has little likelihood of being exercised. If it has been fluctuating widely and rapidly, an option with a strike price at any level may represent a significant risk of exercise to the writer. In this case, the premium will be higher.

Writers employ formulae,

usually written into computer software, which help them to set option premiums by taking historical volatility into account. The most common formula, upon which most others are based, was devised by two Americans, Fischer Black and Myron Scholes, for stock options.

There is a wealth of additional terminology, notably describing combinations of purchases and sales of options which can be undertaken to meet investors' specific requirements and expectations about market movements. These include spreads, butterflies, straddles and strangles. Brokers and exchanges publish explanatory notes about them. The Chicago Mercantile Exchange publishes a useful wall-chart.

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Hectic scene on the Chicago Board of Trade. Both on and off the trading floor, options dealing is not as difficult to understand as it may first appear

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A boon to the corporate treasurer

Currency Options

ALEXANDER NICOLL

MR JOHN HEYWOOD, a director of Hambros Bank, is well accustomed to evangelism. In the past few weeks, he has been in the pulpits from Oslo to Cheltenham, seeking to convert cautious corporate treasurers to the use of currency options.

Hambros is one of a handful of banks which, over the last three years, has created a market that is revolutionising foreign exchange market techniques, at least from the point of view of services provided by banks to the corporate user.

There are no reliable estimates of its size, but Mr Heywood says "We are continuing to see customer business increasing and the liquidity of the interbank market going up as well."

Growing in tandem with the individually-tailored options offered by banks has been trading of currency options on the Philadelphia Stock Exchange in 1982 and spreading to Montreal, Amsterdam, Chicago and London.

Options offer the corporate treasurer extraordinary flexibility in managing currency risk. Until their invention, companies could either submit to the vagaries of the exchange markets and see no hedges at all, or enter the forward market to lock in an exchange rate.

By buying an option in its simplest form, a treasurer effectively takes out an insurance policy, reserving the right to buy or sell currency at a specified rate if the worst happens. If, in fact, the market moves in his favour, he can still profit from the move, either leaving the option unused or selling it back to the bank.

The technique can be applied in a variety of situations, ranging from a tender for a foreign contract, to remittances to or from foreign companies and subsidiaries, to balance sheet risk. Needless to say, it can be infinitely more complicated than the simple outline given above. The flexibility afforded by options also requires imaginative and agile thinking in their use.

For corporate treasurers—an unknown breed in Britain only 10 years ago—options have contributed to a new level of sophistication in asset and liability management. The same revolution has been occurring in the dealing rooms of the banks which offer them.

Foreign exchange dealers, often seen as akin to barrow boys, have new colleagues, many with doctorates in physics or mathematics. For just as the customer has new and exciting ways to lay off risk, so the bank has exciting and dangerous ways to assume it.

Banks' ability to take on such risks was considerably enhanced by the arrival of traded options, of the same amount on exchanges.

Banks are active on both sides of the market, buying and selling options to other banks, and doing the same thing on exchanges.

The over-the-counter bank-offered market is undoubtedly far bigger than the traded option market, but their complementary relationship has been demonstrated by banks' backing of developments on exchanges, between which an intense rivalry has developed.

The Philadelphia Stock Exchange still leads the market, and is hoping that its position will be enhanced by a planned link with the London Stock Exchange. If this obtains regulatory approval and provided that clearing problems can be solved, currency options traded on the two exchanges will be "fungible"—interchangeable.

US residents are not allowed to buy foreign options, but the arrangement is still expected to boost business because a significant proportion of Philadelphia's current business emanates from London and the Continent.

The link is due to be followed later with the addition of a third leg in either Hong Kong or Tokyo, providing banks with a 24-hour market to complement the round-the-clock underlying foreign exchange market.

The London Stock Exchange trades only sterling/dollar and D-mark/dollar options, against Philadelphia's six currencies, but plans to introduce more. The exchange has hoped to have the link already activated but regulatory approval and clearing arrangements have proved more difficult to obtain than they expected. The delay has become increasingly irksome because the London International Financial Futures Exchange (LIFFE) has meanwhile been making considerable headway with its sterling/dollar options, launched shortly

after the Stock Exchange's in June.

In the US, Philadelphia's competition has scarcely been standing still. At the Chicago Mercantile Exchange, options on currency futures have significant volume, and the Chicago Board Options Exchange—where equity and index options have their biggest market—entered the currency options game in September.

The CBOE's contracts differ from the others in that they are specifically designed to be traded seeking to attract broader floor interest than their rivals. The secret is that they are European-style rather than American-style—a distinction which has nothing to do with geography. American-style options can be exercised at any time before expiry, while European-style can only be exercised at expiry.

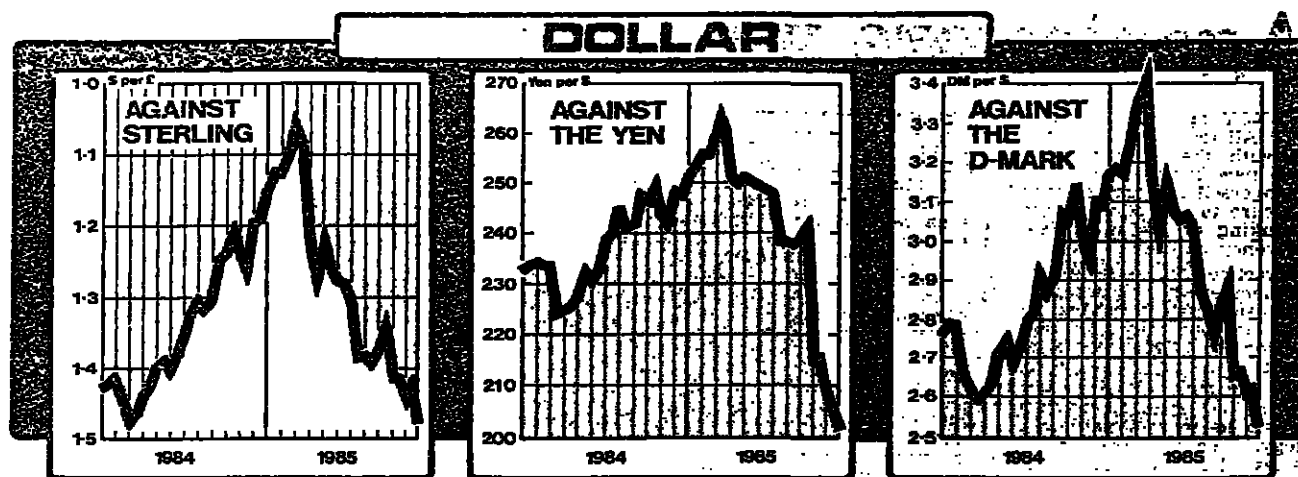
The CBOE's rationale is that American-style options discourage pure traders because they are liable to have to deal with unexpected exercises, delivering currencies that they never intended to have to buy. With European-style options, there is no danger of this. The timing of any likely exercise is known exactly, and the trader can easily close out a position before expiry.

Mr Nicholas Giordano, president of the Philadelphia Stock Exchange, is dismissive of the CBOE's version. "They have taken what was a utilitarian product and turned it into a speculative product," he says. He also objects strongly to the CBOE being allowed at all to offer a product so similar to Philadelphia's, believing that multiple listing leads to fragmentation of markets.

Rival exchanges have tried other plays to make their products a bit different. The Montreal Exchange seeks to attract institutional interest by offering jumbo-size options, and also has introduced the first fungible link with identical contracts traded on the "European" Options Exchange in Amsterdam.

While the battle between exchanges has been raging, the bank market has been taking steps towards maturity. Its early days saw some large losses by North American banks which failed to protect themselves

Financial Futures and Options 6



properly against the risks involved. Some have already withdrawn. Even now, the bankers who participate in the London OTC options market can easily gather in one not very large room.

About half a dozen banks in London, however, and a handful in Switzerland and New York, have become the market's core. They make reliable two-way markets in many currencies.

The most significant development has been the establishment of standardised terms for OTC options, published in August. Any bank dealing on Licon terms (London Interbank Currency Options Market) now knows exactly what it is buying or selling. A bank which uses the same terms when dealing with a corporate customer can hedge its position exactly in the Licon market.

The creation of Licon terms does not itself mean that OTC options have become tradable—an OTC option can be sold back to the bank but is not otherwise tradable—but it does help corporate customers to perform equivalent transactions by, for example, writing an option to another bank.

The products offered are rapidly becoming more sophisticated. Citibank says that it has invented the "cylinder option," one of several mechanisms designed to reduce what many treasurers have seen as the high cost of using options. The cylinder user buys a call option and simultaneously writes a put option at a lower level.

The call option provides the normal protection against the currency going up. The put option still provides the company with some gain from the currency going down, but the gain is not unlimited. The income received from writing it partially offsets the cost of the call option.

A similar product, called a Range Forward Contract, has just been unveiled by Salomon.

Brokers in New York. Though neither precisely a forward contract nor an option, it combines some of the characteristics of a cylinder option and a forward transaction.

Cost has been a crucial issue in the development of the market, with many treasurers, though willing to use the market, finding it difficult to persuade their superiors that the up-front premium was justifiable, given that the option may never be exercised. Some bankers regard the mechanisms which are designed to reduce cost as gimmicks. If you want to buy an option, they say, you have to accept that it will cost money up front.

Fractionators have also had to allay suspicions that the options market was not just an undesirable way to gamble away money that should be spent on a company's main business.

Costs are also an issue in a fierce debate raging between the banking market and the brokers seeking to attract business through them. But the traded markets, the banks argue, that they provide a cost-effective market in which each transaction can be tailored precisely to the customer's needs.

The brokers argue that the traded market, where prices are visible and close together, is naturally more efficient than the less visible bank market, where the customer is captive and may not get a good price. By writing an option back to the bank, the customer is effectively paying two commissions for the bank will probably incur costs in laying off its position in the traded market. But bankers retort that they will not necessarily resort to the traded market since the inter-bank market is available.

The debate will continue, but the effect of the competition is simply that treasurers have a wide variety of methods from which to choose.

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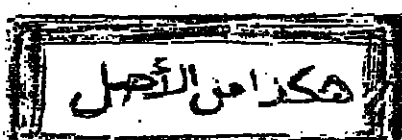
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October 24, 1985



Financial Futures and Options 7

Agonies are well worth suffering

CURRENCY options! Currency options! All too often nowadays banks with their keenness to develop new business and new clients oversell currency options as the cure to all requirements for hedging or taking a view on currency exposure.

In practice it is hard to get some members of the board to distinguish between paying an option premium and putting money on the 2.30 at Chesham race track.

Once the treasurer has overcome the board's natural conservatism he must formulate a strategy. There are many varieties but a reasonable approach is to buy short options and save time value cost given that the chances are that at some time you will want to get rid of the option and lock into spot or forward money.

A variant geared to reducing premium cost is to buy a cylinder which essentially involves restricting your potential gain or loss to a cylinder of rates around the current spot price.

Eventually you have a strategy and then you go to your bank to do business. Being a sensible fellow you call a few banks for quotes and receive them, ranging from perhaps \$30,000 to \$45,000 to cover a \$1m sterling put 6 month option (you are getting into the jargon by now). On enquiring as to the reason for this range of prices you are immed-

THE GROWING USE of financial futures and options recently spawned the establishment in London of The Options and Futures Society, a user group which has quickly gathered about 250 members and financial backing from the industry.

The society, an independent, non-profit-making body, was set up because many financial managers are unfamiliar with the heightened flexibility afforded by futures and options. It provides a forum in which to discuss their use.

Here, three of the society's members—a jobber who is its chairman, a unit trust executive and a corporate treasurer—offer an insight into the ways in which they use the markets.

lately bamboozled by terms such as "delta" and "Black and Scholes".

Further, you notice over time an inconsistency in pricing by even your favourite banker. You then realise that option prices are actually dictated to a large degree by the mysterious "delta" factor, or volatility, which is derived on a scientific, accurate basis from work done over many years by Messrs. Black and Scholes in America. If you then look to the UK option exchanges, which are increasingly influencing prices, you will realise that Black and Scholes is by no means definitive and at times is thrown to the winds by pure speculation.

At long last you have made your decision and are the proud owner of your first option. Sterling strengthens and your put option becomes an increasingly wise decision, you are not locked into a forward and you are riding high on spot. You, as all corporate treasurers must, will have to

attempt to forecast your exchange management performance over the next month, quarter or year. Should you ignore the profit potential of the spot versus your option and keep it "up your sleeve"? If you do, it will surely be dragged from you as compensation for that premium paid only a while ago.

The agony then recurs: itself do you lock into a forward and sell your option or buy another option and another premium, or go forward, or wait? If you wait and sterling weakens, your halo rapidly falls down below your neck. If you look to sell you will find the option you hold to buy dollars (a sterling put) at what looks like a bad rate would be virtually worthless, whether or not it has time value left.

However, all the time you are gaining experience. The board are so impressed by now that they may ask you to hedge against, say, the Swedish Krona. This proves a problem since

Sterling/Swedish Krona options are not available at a reasonable price since there are no exchanges trading currencies in this way and banks thus have to hedge positions in their own books.

You may then want to hedge a position that is perhaps two years away, liquidity then becomes a real problem and pricing appears random at times. In short, the market is in its infancy.

It is now your year end and your accountants disagree with you over the way you want to treat your option premium and no one can be quite sure whether you are actually hedging commitments or trading currencies. The tax man is attempting to tax your gains at one rate and your losses at another, and it is now that you discover that there are no clear rules in this area for you to refer to.

The point to remember throughout all of your agonies is that they are well worth suffering since options can make your company a fortune and will most certainly catch on over the next few years as forwards did in the 1970s. Options are here to stay, and grow, but you must know what you are doing!

The writer is a senior manager in the treasury department of a UK division of a US-based multi-national, and a regular user of option markets.

Decrease in risk to the unitholder

BY NIGEL FOSTER

Following discussions between the Unit Trust Association (UTA), the Association of Corporate Trustees (TACT) and the Department of Trade and Industry (DTI) an understanding was reached in 1983 on the conditions under which authorised UK unit trusts could invest in traded options.

The vast majority of transactions since then have been the sale of call options against existing security positions. The purpose has been primarily to achieve a target sale price higher than had been available in the underlying share market.

Other reasons for selling call options have been to decrease overall portfolio risk and to protect capital gains in those shares it is necessary to hold if portfolio income objectives are to be met (for example call option selling over BP, Shell and Lonrho dividend payment periods).

The purchase of call options, while undertaken less frequently than call options selling, has proved a most useful investment tool during periods of bid speculation. By limiting the downside risk to the call premium paid, portfolios have achieved the maximum upside potential available while reducing unitholders' risk if a bid fails to materialise (for example BTR's bid for Dunlop and Lando bid speculation prior to the rights issue). Call option purchase has also been used to obtain exposure to US equities with minimal currency exposure to the strong US dollar. The purchase of put options has been used primarily to protect large capital gains which have taken place over a short period. Purchase of put options has also been used to protect capital gains over ex-dividend periods.

Save & Prosper believes that the use of traded options, as summarised above, has decreased unitholder risk in all cases. The reaction of unitholders with investments in unit trusts which have used traded options has been positive. It is of interest to note that the majority of unitholders appear to be well aware of the reasons why traded options have been used, namely, as an additional investment tool for the control of risk.

The investment limits set out in the Statement of Policy made by the UTA, TACT and the DTI in 1983 are, in Save & Prosper's view, at a sensible level. Even in the most active funds the limits have not been approached. Thus they have not proved to be an inhibiting factor in the prudent use of traded options.

Since 1983 the importance of traded options has grown rapidly. This is clearly demonstrated by British Telecom, the UK's largest and heaviest traded security. The volume of the traded options market is almost as great as in the underlying share market.

The prohibition on the writing of put options (which may be allowed soon), in the view of Save & Prosper, prevents a major prudent use of traded options, namely, the ability to buy stock forward at a discount to the market price. S & P believes such usage is as important as the principal function of selling call options which is to sell stock forward at a premium to the market price.

Nigel Foster is investment manager of Save & Prosper.



Options pitch of the London Stock Exchange. Big Bang is forecast to have a strong impact on turnover

Emphasis will switch away from arbitrage

By Nic Stuchfield

WEDD DURLACHER was a founder member of both the London Traded Options Market and Life. The firm's primary activity is stockjobbing, where it is a force in the gilt and equity markets—including overseas equities. As a consequence dealings in options and futures have tended to be concentrated on gilt and equity based products, rather than currencies, short-term interest rates and US treasuries.

Wedd's dealings as a principal in options and futures takes

three forms: "scalping", hedging, and arbitrage. The first of these, scalping, involves intermediating between buyers and sellers who may be in short-term disequilibrium. Whether as a market maker in options on the Stock Exchange or in its short-term trading on Life, Wedd adds liquidity to the markets and in return gets benefits: dealing cost concessions and the comfort of the bid-offer spread in the Stock Exchange (where market-maker status imposes obligations) or, in Life (where there is no market-maker status and thus no obligations), present the opportunity to make money.

The direct boost to company profitability has tended to be relatively limited. The indirect benefits in terms of market information, and the ability to deal in size, are probably sizeable, though unquantifiable.

The second form of activity—"hedging"—would not normally appear in quotation marks. However, for a trader the notion of a hedge has difficulties. To be sure, options and futures are used in position management, but would you describe a purchase of \$10m worth of gilt futures a hedge if it increased the firm's exposure to a bull position in £20m? Probably not. Such circumstances are far from rare. The aim is not to hedge as such, but to bring about a desired level of risk which in a risk-taking business may or may not be zero (if that is possible). In this respect, the macro-market instruments—the gilt futures and the FTSE futures and options—are most frequently used, although indi-

vidual stock options do play a part in position management at a micro level.

Finally, there is arbitrage. The different composition of the markets together with the dealing cost inefficiencies of the stock market entail that arbitrage is not only possible but also on (increasingly) rare occasions quite lucrative.

As a stockjobber Wedd has both advantages and disadvantages as an arbitrageur. The advantages clearly lie in its ability to borrow stock and the fact that as market makers it pays no commissions. The disadvantages are that dealing between jobbers in stock is severely proscribed by Stock Exchange custom and practice—whereas brokers and clients can deal at the market "touch," the Wedd arbitrage area can only deal at its own trading book's bid offer spread.

Additionally, the fact that as a stockjobber Wedd is forced by its nature to act passively—to buy stock only when people want to sell and vice versa—may make arbitrage effectively impossible; no one may want to buy the relatively dear stock which Wedd wants to sell as an arbitrage, for exactly the same reason as Wedd wants to sell it! In the futures market Wedd has no such problems, but for Cash and Cash-futures trades this factor is significant.

Big Bang will undoubtedly change matters. Risk averse market-makers who see market-making merely as a painful prerequisite of earning commission will use the options and futures markets to lay-off risk and will increase turnover.

These players may for a while make arbitrage more fruitful as they would rather dispose of their risk than worry about relative value, but this phase is likely to be very transient. The pressure will be to scale down market-making commitment to those levels of risk at which the newcomers feel comfortable; the emphasis will then be to look for switches, straddles, basis trades and all the other strategies which purport to make riskless turns. Don't be an arbitrageur then.

Nic Stuchfield is a partner of Wedd Durlacher Mordaunt, and chairman of The Options and Futures Society.

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Financial Futures and Options 8

Potential begins to be fulfilled

Interest Rate Hedging

ALEXANDER NICOLL

ALTHOUGH it was with an interest rate contract that financial futures were launched 10 years ago, it is only within the past year or so that the full potential afforded by interest rate hedging techniques has begun to be realised.

At first, interest rate futures—beginning with Government National Mortgage Association bonds—were just another contract for the Chicago commodity pits. But after the Federal Reserve abandoned targets for interest rates in favour of the monetary aggregates in 1979, setting the stage for higher and more volatile rates, major bond market players and banks began to appreciate the advantages of the futures markets.

At the same time, banks' corporate customers were frequently suffering from volatile exchange rates. This led to the development of far more sophisticated methods of handling currency risk, particularly through options. Now, treasury departments are being persuaded that a wide variety of mechanisms are available to help them deal with interest rate risk as well.

Just as in the currency markets, a range of products which can be tailored to fit the needs of individual customers is developing alongside traded futures and options contracts.

This means that many companies may be indirect users of the futures and options markets, perhaps even without realising it. Some of the new markets, however, are still in a fairly illiquid state.

By far the most active futures contract anywhere—and recently breaking new volume

records—is the Chicago Board of Trade's long-term Treasury bond future, now supplemented by active options on the futures contract.

The bond pits are dominated by the major New York commercial and investment banks, reflecting not only the volatility of interest rates but also the sheer volume of US Government debt being issued.

At the short end of the interest rate spectrum, the focus has changed in recent years from CD (Certificate of Deposit) and Treasury bill futures to a three-month Eurodollar deposit contract. All three are traded at the Chicago Mercantile Exchange.

With London the centre of the Eurodollar market, it is scarcely surprising that a Eurodollar future should have become the most active contract

speculators, whether individuals or banks trading their own book, with commercial hedging. Banks or investing institutions hedge their portfolio exposure. Banks also hedge the exposure which they assume by offering a rapidly expanding and complex range of products to their customers.

Banks have developed the Forward Rate Agreement (FRA), which has the characteristics of an "over-the-counter" futures contract. It is similar to already existing "forward" or "deposit" contracts, and enables the customer to lock in, for a specified period, an interest rate on a deposit or loan. When the contract expires, the amount settled is simply the difference between the locked-in and actual interest rate, and not the principal sum itself.

Both thus adjust their borrowing terms to fit their specific requirements, and attempt thereby to lower their respective costs.

Typically, a bank swaps a low fixed coupon for a cheap floating rate, and a counterpart locks in a fixed rate instead of an unpredictable floating rate. Increasingly, however, the swaps market has become a trading market between banks.

The option concept has been applied in devising means to protect a borrower or lender from an adverse interest rate market move, while still allowing him to benefit from an advantageous move.

Though high costs have so far militated against the development of a liquid market in interest rate options, corporates can buy interest rate caps, particularly for fairly short maturities of up to about two years. Some British companies, such as Cadbury Schweppes and GKN, have arranged well-publicised caps for longer periods.

These have raised questions, however, about whether a bank can effectively cover the risks it takes on in selling them. Nevertheless, Citibank in London says that it has arranged caps of up to 10 years.

Increasingly, investment banks are applying the concepts in devising complex bond issues, such as bonds with warrants. In such cases, the bank and the borrower will need to cover the risks incurred, both during the issue itself and as a result of its specific terms, on futures or options markets.

Just as in the currency markets, a range of products tailor-made to fit the needs of individual customers is developing

traded on the London International Financial Futures Exchange (LIFFE). LIFFE also has a range of successful sterling interest rate futures, ranging from three-month deposits to long gilts.

Interest rate futures have sprung up on many other exchanges, from Rio to Tokyo, and options are also coming on line. So far, only the T-Bond options have really taken off. The latest trend is towards trading contracts on foreign debt instruments. LIFFE already trades a US T-Bond contract, and plans, in conjunction with the CBOT, to trade Japanese government bond futures as well.

Successful interest rate contracts, like any futures product, combine a degree of activity by

An active interbank market has developed in FRAs, with the participation of London money brokers, and is expected to grow further following the recent establishment of standardised terms (known as FRABBA terms) by the British Bankers' Association.

The BBA has also set standardised terms for swaps, which have also added to the corporate treasurer's flexibility. The concept arose not from futures or options, but from anomalies between capital market borrowing rates.

Effectively, a borrower can sell an advantage gained from borrowing in a specific market where it has a high credit rating, in exchange for an advantage gained by another borrower in another market.

Playing it by the book

Betting on Indices

ALEXANDER NICOLL

WHERE can you take a tax-free punt on the FT 30-share index, the price of potatoes, or US Treasury bond futures?

Not, obviously, on any recognised futures exchange, from which your winnings are taxed in the UK as capital gains. There is in any case no futures contract based on the FT Ordinary Index.

The answer is that if you have money to burn or a position to protect, you can turn to a trio of companies that make up Britain's financial betting industry: City Index, IG Index and Ladbroke Index.

What they offer is a book-making service, pure and simple, even if it is dressed up to resemble established financial markets. It is not, however, the same as "odds betting," where you bet on a particular horse winning (or some other event). Then, your losses are limited to your stake, and the size of your winnings depends on the event's likelihood, as assessed by the bookmaker.

Financial markets are unsuited to odds betting. They either go up, down or stay the same, and participants' gains or losses depend on the extent to which they move.

The bookmakers therefore allow you to bet simply on either an upward or a downward movement. The better on an upward movement is similar to the buyer of a futures contract. If the price goes up, his winnings will be commensurate with the extent of the gain. But, as in futures markets, the potential losses from a market move against the punter can be unlimited.

This is how it works. For each underlying market price, say for gold, the bookmaker makes a spread. If gold is at \$325 an ounce in the London bullion market, the spread he gives may be \$324-\$327, though it does not necessarily straddle the current market level.

If you think the price is sure to rise, you ring the bookmaker, ask for a spread, and make an "up" bet, in effect becoming a "buyer." You "buy" at the

higher level of the spread. If you want to make a "down" bet, effectively "selling," you do so at the lower level of the spread.

The bet is for an agreed amount, say \$5 per "point"—so that you win \$5 for each dollar that the market rises above your "buy" level.

In this example, gold rises sharply, and you decide to take your profit. Your winnings are based usually not on the actual market price, but on the spread that the bookmaker is now offering. The market price is \$342, but the spread is \$337-\$340. You sell—close out the bet—at the lower level, making a profit of \$5—\$5 times the 10-point difference between your "buy" and "sell" levels.

The bookmaker's secret is the spread. It is this which stacks the odds in his favour, since the market must move some way before it starts to make money for the punter, and because the spread is set by the bookmaker, not the market.

All three companies offer bets on the FT 30, the FT-Stock Exchange 100 Index, gold, the sterling/dollar rate and the Dow Jones Industrial Average (though City Index, out of sentiment to the proprietors' copyright claims, calls it "Wall Street"). City Index also offers the Hang Seng Index, the dollar/D-Mark rate, as well as silver, UK gilt, US T-bond and Standard & Poor's 500 Index futures. IG Index's range is broader still: it will make a spread in virtually any market where there is an underlying futures contract, including commodities.

The nature of the business means that both the punters and the bookmakers are exposed to large risks from market fluctuations. To cope with these, the companies adopt differing credit policies towards their customers and take contrasting approaches towards hedging their risks in the markets.

Both IG and Ladbroke say that they hedge their exposure in the futures market, even though precise hedges for some of the indices, such as the FT 30 and the Dow Jones, are not available.

City Index style appears rather less formal. It aims for high-spending punters, sets large credit limits and demands

no up-front deposits. It does not usually hedge. Mr Christopher Hales, joint managing director, who ran the Ladbroke rival—formerly Coral—with Mr Jonathan Sparks until they set up their own company in 1983, says: "I have experience—shows—that most clients do not end up big winners. With the odds already in the bookmaker's favour, there is no need to hedge, he says.

IG Index offers perhaps the most daring products: bets on traded options. "For people seeking speculative opportunities in the real sense of the term," says its brochure, "traded options have much to offer. The point is that options, be they on equities, indices, commodities or currencies, tend to

show far greater and faster price movements than the underlying market.

Bold punters can make "up" bets on either "calls" or "puts," staking a small amount on the likelihood respectively that the underlying market will either rise or fall, causing sharp rises in the prices of the options and making them a fortune.

Multiplying your money by 10 in a traded option is not at all uncommon—but it must be added that losing all the money you risk is commoner still," says IG Index. The boldest of all punters could take a "down" bet. This is the equivalent of "writing" an option, and exposes the better to the significant possibility of losing a lot more than his shirt.

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Financial Futures and Options 9



Advanced technology allows dealers on Life (above) to compare their prices with those of the London Stock Exchange

Clearing in line for development

Technology

ALASTAIR GUILD

THE 24-hour market in futures and options which is emerging will depend increasingly on the high speed transmission of information across continents. Fast communications will enable traders to shift risks around the clock, replacing national capital markets with an international one.

According to Mr Bernard Reed, the London stock exchange's (LSE) options group manager: "The need for international distribution of volume and price information is already well served by existing information vendors. The next major development will be in the transmission of clearing information between exchanges."

"It is important that we know how prices are moving in other exchanges and for them to know how our market is changing," says Mr Neil Blurton, systems development manager at Life. Information is transferred using traditional quote vendor services such as Reuters, Teletype and telephone links.

"However, the problem with taking a view on a market price from quote vendors is that traders can lose valuable time. Quote vendors take market pricing information from different exchanges across the globe, but the manipulation process means a possible delay of up to one minute between a price being made in a pit and coming up on screen. A minute is a long time in futures trading," says Mr Blurton.

Though many of the future and options contracts traded in exchanges across the world are

modelled on U.S. contracts, there are subtle differences in contract rules. Hence, although there is a wide range of computer-based trading systems and data bases marketed in the UK, they are essentially based on American, rather than UK contract rules, and are not directly applicable to overseas markets. That has so far deterred many brokers, institutions and individual investors from buying such systems.

However, major suppliers of U.S.-based systems are now becoming more responsive to the specific needs of the London market and, should the numbers and volume of futures and options contracts on the London markets increase, so should the range of systems available, thus bringing down the prices of systems.

Dr Jacques Pezier, a director of Investment Intelligence Systems, already sees the range of systems available, thus bringing down the prices of systems.

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Dr Jacques Pezier, a director of Investment Intelligence Systems, already sees the range of systems available, thus bringing down the prices of systems.

he states, with the easing of regulations on options and futures trading on international markets.

There is some way to go, however, for Europe to match the penetration of valuation programs already seen in North America. Outside the U.S., the price of packages for assessing futures and options trading opportunities would probably deter the individual investor who will rely instead on his broker. In America, the sophisticated private investor runs valuation programs on a personal computer and is supplied by specialist "houses" with discs updating market prices and volume information.

By some accounts, systems have still to satisfy the total requirements of UK institutional investors or brokers. In 1983, when unit trusts were first allowed to use traded options, Nigel Foster, Save and Prosper's investment manager, looked around for a system to evaluate UK stock options. He could not find any one package that fitted his requirements then, and feels he has no particular reason to change that view.

"Our system has to provide accurate and efficient evaluation of options, to measure the performance of options in reducing the risk of a portfolio and any system should link options to the underlying stock positions. We ended up devising and running our own system for measurement."

Save and Prosper then chose Bridge Data's portfolio monitoring and real time pricing system for U.S. stocks and options with these pricing facilities recently expanded to cover UK stocks and options. The trust also makes use of investment decision-making facilities provided by UK stockbrokers on TOPIC.

Sheppards and Chase, the first brokers to put a service on TOPIC, did not find it so cost-effective. "A number of brokers have a service on TOPIC but many of our clients still prefer bits of paper," says Mr Charles Williamson, head of traded options. The firm, which primarily

trades on the London Stock Exchange but is also a member of the European Options Exchange in Amsterdam and deals on the U.S. options exchanges, takes instead a daily print-out from Datastream. This gives theoretical values and half a dozen rates of return for London and Amsterdam markets. "Each day, before the market opens, we look through closing option prices to pick out overvalued and undervalued premiums and, at the same time, relate this information to the underlying share price," says Mr Williamson.

Sheppards also runs a few programs of its own on an IBM PC, for example, checking out rates of return on "buy writes" and uses it also for conversions.

Sophistication

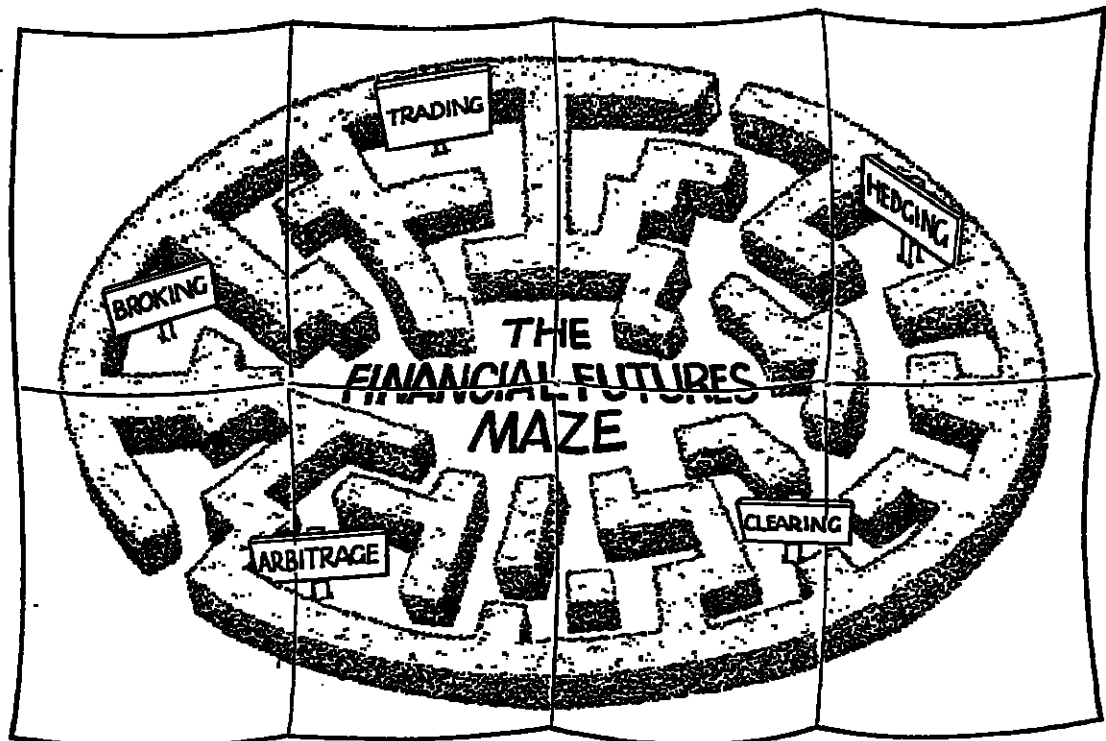
"In my opinion, there is not yet a first class service available at an economic price which offers the sophistication of U.S. systems. I hope that one day someone will offer us that but to a degree it must be a function of volume in the market which London does not yet have," Mr Williamson states.

However, Mr Barry Bird, head of traded options at Lang and Cruickshank which has just taken delivery of a service from Enigma Systems, says it represents an important development for the London market. Enigma has taken U.S. modelling techniques and, in conjunction with Emtel, offers a full analysis package, consolidating information fed directly into the system from the Stock Exchange and the banks.

With two-thirds of currency options trading done "over the counter," the consolidated feed will help corporate traders and institutions find a better deal on premiums, says the company. Using the system, dealers can simultaneously compare prices from the Stock Exchange and Life, while the company's options prices.

Next year's changes in the market, with the integration of option and share dealing, will make it increasingly important to have an information system to match.

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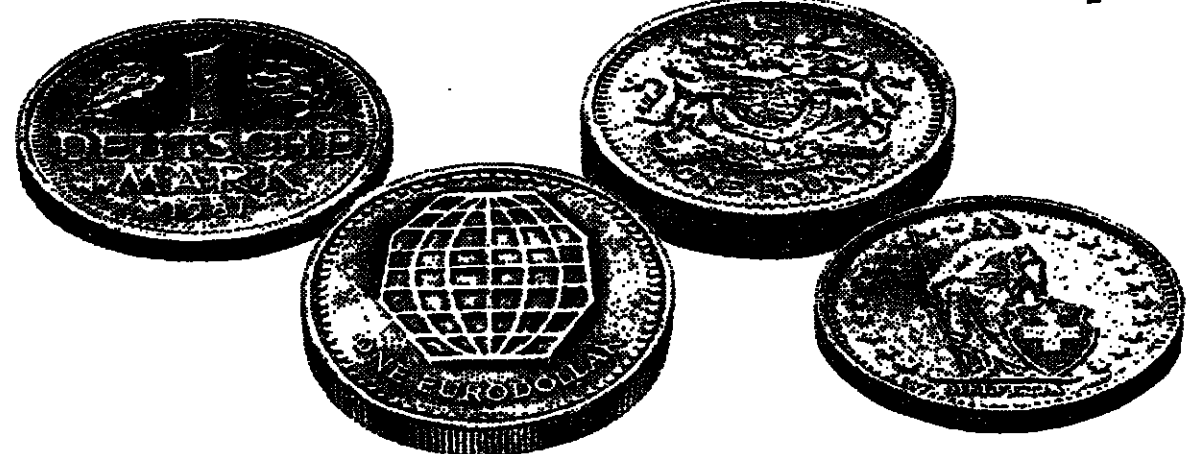
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Early setback for Tokyo bond futures

Japan

YOKO SHIBATA

AMID world-wide attention, the bond futures market at the Tokyo Stock Exchange (TSE) was opened on October 19. However, trading had an unfortunate start, with the market falling sharply only a week after it opened. As a result of the decline in prices, transactions ceased for two days on October 25. Such an inauspicious start was an important setback for the sound development of the futures market is considered as a step towards the liberalisation of Japan's financial markets.

Bond futures started in extremely active trading, with a value of ¥7,000bn. This compared with earlier market expectations of around ¥1,000bn. However, cash bond prices plummeted when panic spread following remarks made on October 24 by the Bank of Japan governor, Mr Satoshi Sumita. His statement on pushing short-term interest rates higher, so as to dampen expectations on lower rates which had fanned the bond market advance, forced down cash bonds prices which in turn pulled down futures prices.

Investors who bought bonds at high "Goshugi" (commemorative) prices on October 19, lost money and were compelled to put up additional cover. Out of the total ¥7,000bn turnover on first day trading, ¥500bn was accounted for by private investors, whose additional cover was estimated to total ¥3bn.

Before the opening of the

futures market, debates centred on the absence of speculative investors in Japan, compared with the U.S. The worry was that a debacle in Tokyo bond futures might scare off wealthy private investors.

The bond futures market was needed by the Japanese Government, because of the rapid rise in its debt. Government bonds outstanding at the end of March 1985 reached ¥125,000bn. Public bonds changing hands amount to some ¥2,000,000bn a year.

In order to avoid the consequences of fluctuations of interest rates the bond futures market was seen as an essential means of hedging risk. A sense of urgency at the governmental and private level on this matter prompted the launch of the Tokyo bond futures market at such a speed that it was opened only 15 months after the TSE announced its proposals to start futures trading.

The futures contract traded on the market is based on the standardised 10-year 6 per cent Government bonds listed on the Tokyo Stock Exchange. There is no trading floor and bond futures are traded by telephone through 83 member securities houses of the TSE and 53 special participants—37 financial institutions including three foreign (US) banks and 18 non-member securities brokers including eight foreign brokers.

In order to add liquidity to the Tokyo bond futures market, Yen bond trading is open to foreign investors. At the same time, banks and securities houses are being allowed to trade overseas financial futures. This month Japanese securities houses started futures trading US bills and bonds and banks began trading currency and interest rate futures.

Financial Futures and Options 10

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Fast growth on back of market volatility

CONTINUED FROM PAGE ONE

computer tests showed that 88 per cent of Futures Commission Merchants (FCMs) would have been adversely affected if the proposals had been in effect on June 30—a time of low volume and volatility.

The proposals "would have had a devastating effect on firms carrying out grain hedging business in 1983 and firms carrying substantial financial hedging business in 1984." One provision would bar firms from entering into repurchase transactions with each other—a major activity providing liquidity in the government securities market. Primary dealers in government securities, the CBT said, would thus be forced to choose between dealing in the cash and futures markets.

At least some large broking firms have backed the CBT's stand. Merrill Lynch Futures said the CFTC proposals "could significantly impair the ability of many smaller FCMs to continue in operation in their present form."

The effect, it said, would be "increased institutionalisation of the business—fewer and larger FCMs and greater dominance of the markets by larger institutions with easier access to the exchanges."

Cargill Investor Services, one of the most respected firms, termed the CFTC proposals an "over-reaction," said they

would force it to more than double its capital. "It is probable that we would have to advise our owners that this is no longer a viable and worthwhile business enterprise."

The CFTC says the measures are designed purely to protect investors. "We are not interested in putting anyone out of business, but we are interested in making sure that customer moneys are protected in the marketplace."

The regulators also have other plans. The CFTC has proposed that all orders received from customers should, for their protection, be time-stamped within a minute of being filled.

Both the CFTC and the SEC are taking steps to reduce expiry-date arbitrage in stock index futures and options, perceived to cause share price swings which may be detrimental to the small investor. Exchanges are being asked to limit the size of positions held on the last day of a contract.

It is not just from the regulators that the industry faces trouble. With futures and options already having created a new level of sophistication in risk management, the trend is towards even more sophisticated products which can be tailored to meet specific needs of a corporate treasurer or investment manager. Banks offer complex packages designed to maximise their clients' returns and minimise their risks.

Much of this type of business works indirectly through the

futures and options markets, as banks lay off the risks they incur selling such products to their customers. But some will not. The growing market in currency options, for example, is largely off exchange floors, even though a growing number of exchanges have entered the business. Banks have also developed Forward Rate Agreements which are essentially tailor-made futures contracts not traded on exchanges.

A further challenge springs from the internationalisation of all financial markets. This has made it necessary for exchanges to find ways for their traders to open and close positions at any time of the day or night.

All of them are jockeying for position in an attempt to forge advantageous links with other exchanges, though such ties have yet to bear substantial fruit.

At least the pit traders have for the time being survived the threat to their livelihood. An automated exchange called Intex, set up by venture capitalists who believed that the open outcry trading method was outmoded and inefficient, has failed to attract volume to its gold and freight rate futures contracts.

To the outside observer, face-to-face trading may appear chaotic and exhausting, providing inordinately good business to the makers of throat sweets and thick-soled shoes. But pit traders swear that it is in fact highly disciplined, and in an active market, provides the most efficient price discovery possible.

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SECTION II - COMPANIES AND MARKETS

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Siemens to buy US dental group

By William Hall in New York

SIEMENS, the big West German electronics group, is buying Pelton & Crane, a leading US supplier of dental equipment, in a move which will strengthen its position in the US dental market.

Siemens said yesterday that Bristol-Myers, the consumer products and health care group, had agreed to sell Pelton & Crane to Siemens Medical Systems, which is a leading company in the US medical equipment market. No terms were disclosed.

Pelton & Crane employs about 500 people at four locations in the Charlotte, North Carolina, area. The firm designs, manufactures and markets equipment for the dental profession.

Siemens Medical Systems is a diversified supplier of sophisticated medical electronic equipment for hospitals and health care professionals in the US and is particularly strong in the X-ray area. The company says Pelton & Crane's dental equipment manufacturing operations will complement its X-ray supplies.

Bernard Simon in Toronto reports on a man who has left his mark on Canadian business

Question of roles for new man on Fleet Street

MR CONRAD BLACK'S ability to breathe life into the Daily Telegraph may depend on whether the outspoken right-wing Canadian plans to run the newspaper as Black, the financier or Black the manager.

The 41-year-old tycoon's flair for acquiring, restructuring and disposing of companies is unquestioned. He has left an indelible mark on Canadian business since he and his elder brother, Montagu, wrested control of two investment holding companies, Ravelston Corporation and its subsidiary, Argus Corporation, from some of the pillars of Toronto's Anglo-Saxon establishment in 1978.

From Argus's doric-columned building (once a post office) in downtown Toronto, the brothers have parlayed their initial investment of C\$18m (US\$13m) into holdings estimated to be worth well over that.

Mr Black, who seldom uses a short word when a long one will do, explained his business philosophy as follows to his biographer, Canadian journalist Peter Newman, as follows: "A spirit of moderate acquisitiveness is not unakin to a sense of self-preservation. It is a motive that has not failed to move me from time to time."

One Toronto securities analyst observed that Mr Black is "a financier, a wheeler-dealer sort of guy - and that's what he's good at. He's never pretended to be an operating man."

Argus has discarded almost all the investments that it held when the Blacks were in control in 1978. Mr Black gave away an Argus subsidiary's 16 per cent stake in the ailing farm machinery and industrial engine maker Massey-Ferguson in 1980 after numerous conflicts with the company's senior management.

Argus also sold its minority interests in the Donat paper group and Noranda, the loss-making natural resources conglomerate. More recently, it has disposed of the bulk of its retail and broadcast interests. Under the Blacks' stewardship, the Dominion Stores supermarket chain saw its share of the Ontario grocery market tumble from more than a third to 13 per cent, although Mr Black says that he still has "every expectation of greater and more secure profitability than it ever enjoyed before" after the sale of many of its outlets.

Information about Mr Black's business interests is sparse and likely to become even sparser when privately held Ravelston later this month completes the purchase of



Mr Conrad Black: 'A spirit of moderate acquisitiveness is not unakin to a sense of self-preservation. It is a motive that has not failed to move me from time to time.'

the 1.3 per cent of Argus still held by the public. Argus's last annual report ran to six pages - Mr Black tries to set a record for brevity at the company's annual meeting each year. The 1985 meeting lasted 15 minutes.

Argus will be delisted from the Toronto Stock Exchange at the end of this month.

Argus's main investment is its stake of about 49 per cent in Norcan Energy Resources, a highly re-

garded Canadian oil and gas producer. Norcan's net earnings reached C\$100m in the year to June 30, on sales of C\$613m. A buy-back of Norcan shares recently tightened Mr Black's hold on the company, although fewer shares were tendered than the company had offered to buy.

Norcan's investments include a 28 per cent interest in the Cleveland-based mining group Ma Hanna, acquired between 1982 and 1984.

The price that Norcan paid for the Hanna shares was between US\$36 and US\$40, almost double their current market value.

Hanna has provided Mr Black with some useful contacts, however. The Canadian Prime Minister, Mr Brian Mulroney, was president of the company's Canadian iron ore affiliate until early 1983. One of Mr Black's partners in Ravelston is now the Prime Minister's appointments secretary.

Mr Black's reputed fondness for chess and war games, and his admiration for Napoleon Bonaparte, may explain his single-minded pursuit of takeover targets and the awesome complexity of many of his business deals.

The Black brothers, whose father had been an Argus shareholder, launched their bid for the company just a day after the death of Argus's chairman, Mr Rod McDougall, who was arguably Canada's most influential businessman during the 1970s. They quickly sewed up voting agreements with Mr McDougall's widow and the widow of another key Argus shareholder, brushing off a challenge from the son of a former Canadian Prime Minister.

Since then, three reorganisations have shuffled the layers of holding

companies below Ravelston. Each time, Ravelston has received amounts ranging from C\$48m to C\$86m for the sale of its shares in one company to another. Few outsiders claim to understand fully the intricacies of these transactions.

Mr Black is no newcomer to publishing, having owned a chain of newspapers in Quebec and British Columbia and having written a long book about a Conservative Premier of Quebec.

But his reasons for taking an interest in the Daily Telegraph remain a mystery. Mr Black has kept a low profile since he bought 14 per cent of the newspaper group last May. Except for a testy letter to The Spectator decrying British newspapers' "habitually snobbish, envious and simplistic" coverage of the Reagan Administration, he has given no clue to the motives for his investment (Mr Black excluded the Daily Telegraph, The Times, the Financial Times and The Economist from his criticisms).

Judging by his background, one is left to conclude that a combination of political conviction, ambition to be recognised outside Canada and a chance to buy assets cheaply have contributed to the decision to plunge into Fleet Street.

CPR in FFr 500m share issue

By David Marsh in Paris

COMPAGNIE Parisienne de Réassurance, a specialised and highly profitable French money broker, is enlarging its shareholder structure through the sale of FFr 500m (\$64.7m) in shares on the Paris bourse tomorrow.

The sale, one of the largest equity offerings from a financial group in recent years, is being made by CPR's two main shareholders, Banque Indosuez and Banque Financière Parisienne.

The two banks, which directly and through subsidiaries hold 72.3 per cent of the company, will retain a 50.5 per cent stake, divided equally between them, after the share flotation.

Bankers said the flotation would help test the ground for possible sales from 1986 onwards of the state's stakes in nationalised banks.

The more profitable nationalised banks have been listed as privatisation candidates by the right-wing opposition, which is expected to win a majority in the National Assembly in elections next March.

Compagnie Parisienne de Réassurance, which together with its bond financing subsidiary, Parascot-Gestion, made net profits of FFr 191m last year, expects earnings to rise to between FFr 225m and FFr 230m in 1985.

The company, which employs only about 180 people, is predicting a further increase of between FFr 280m and FFr 270m next year.

The company is active in trading in Treasury bonds, foreign exchange, money-market instruments and bonds. With the advent of more sophisticated money-management techniques in Paris and the progressive deregulation of the French financial markets, these areas are becoming increasingly profitable.

The share flotation is being made at a fixed price of FFr 1,000 per nominal FFr 100 share.

Peugeot seeks FFr 500m loans for investment plans

By Paul Betts in Paris

PEUGEOT, the private French car group, is seeking FFr 500m (\$64.3m) in soft loans next year from the French Government's industrial modernisation fund (FIM) to help finance an increased investment programme of FFr 3.5m.

The group's Citroën division received a similar FFr 500m FIM loan this year together with low-interest loans from the French long-term state credit institute, Crédit National, totalling FFr 1.5bn to help finance its investment programmes and the launch of its new small car in the second half of next year.

But the group does not intend to tap the FIM for loans for its Automobiles Peugeot division next year. This reflects both the financial improvement in the Peugeot division and the fact that the French Government is seeking to cut its overall level of subsidised credits next year.

Mr Pierre Bérégovoy, the French Finance and Economy Minister, has already indicated that he intends to hold down total FIM loans next year to around the 1985 level of about FFr 11bn, and that he wants to cut back substantially on the subsidised credits of the Crédit National.

Mr Jacques Calvet, chairman of the Peugeot group, confirmed yesterday the financial recovery of his group with the Peugeot division showing a profit this year and the Citroën division reducing its losses by more than half its consolidated deficit of FFr 1.93bn in 1984.

Mr Calvet said he expected the

Citroën division to break even next year after several years of heavy losses. Overall, the Peugeot group, embracing both the Peugeot and Citroën divisions, is expected to break even this year. Mr Calvet indicated that the only doubt left on the 1985 group results hinged on the Peugeot group's sales of car kits to Nigeria. Peugeot is still trying to finalise the sale of about 20,000 car kits there.

Peugeot group sales are expected to total FFr 180bn this year, with Citroën sales accounting for FFr 38bn.

The overall recovery of the Peugeot group has come despite a disappointing year in the French car market. Mr Calvet said sales were not expected to top 1.8m. The UK car market would be the second largest in Europe this year after West Germany, with sales of between 1.81m and 1.82m. France was being challenged for third place by Italy.

The Citroën financial and commercial improvement reflects the group's efforts to improve productivity by 6 to 7 per cent a year. Mr Calvet said Citroën was expected to maintain a similar level of productivity gains next year.

Citroën was also increasing its overall investments next year to FFr 3.5bn from FFr 2.9bn this year and FFr 1.9bn last year. As for the Peugeot group as a whole, investments were expected to rise to between FFr 7bn and FFr 8bn next year, from FFr 5.8bn this year.

Mr Calvet said that Citroën was

seeking to reduce 1,800 jobs next year as part of its efforts to improve productivity. The Peugeot division has already announced plans to cut 3,100 jobs next year.

Citroën is closing two small plants at Clécy and Nanterre in the Paris region this month as part of its rationalisation plans. Mr Calvet said the closures would lead to savings on annual fixed costs of between FFr 50m and FFr 80m at each plant.

Mr Calvet also disclosed that Citroën envisaged exporting a top-of-the-range model to the US again. The Peugeot division is already attempting to increase its sales in the US European luxury market.

Mr Calvet, who was named manager of the year by the French magazine Le Nouvel Economiste a few weeks ago, said he intended to continue running the group until retirement. He said he found the automobile business stimulating.

There has often been speculation that Mr Calvet, a former chairman of Banque Nationale de Paris (BNP), the country's largest nationalised bank, could be offered a ministerial post in a new right-wing government.

Mr Calvet also said yesterday that he was flying to Spain to try to resolve his group's problems with the Spanish authorities. He indicated that Citroën was envisaging producing its new small car at its Vigo plant in Spain. The model is designed to fit into the Citroën range between the 2CV and the Visa.

Paribas set to block AXA's takeover bid

By David Housego in Paris

PARIBAS, the French state-owned investment bank, seemed likely last night to block a takeover bid by the AXA group, France's largest private insurance company, for the Providence-Secours group.

The bid by AXA, which controls the Mutuelles Unies and Drouot groups, is the first rumbling in what could be a major upheaval of French insurers if the right wing opposition - which is pledged to de-nationalise the sector - comes to power in March.

AXA is still awaiting Ministry of Finance approval - required by French regulations - to launch the bid. The offer is for a 51 per cent stake in Providence, the holding company for the group, on the basis of FFr 1,100 (\$142) a share. Providence's shares closed at FFr 768 on November 10 when trading in the group was suspended by the Paris bourse's watchdog commission.

Paribas is the largest shareholder in Providence, which controls the Providence group of companies, with a 25 per cent stake. In holding out against AXA's offer, it is seeking a higher price and to maintain a presence in the insurance industry.

AXA is a fast-growing insurance group built up by Mr Claude Bebear, its president, whose largest major acquisition recently has been Drouot Assurance.

Mr Bebear's objective is to turn his group into one of the major French insurers - and thus in a position to bid for a stake in the nationalised groups when they are privatised.

AMC talks suggest Far East link

By Terry Dodsworth in New York

AMERICAN MOTORS (AMC), the US affiliate of the nationalised Renault motor group of France, is discussing new arrangements with Japanese suppliers amid speculation that it may be aiming to launch a joint venture with a Far Eastern car manufacturer.

In an interview published in the influential Automotive News magazine, Mr Jose Dedeurwaerder, president of AMC, confirmed he had recently visited Japan for talks on stepping up the group's components supplies. Asked whether he thought the US company would be negotiat-

ing a joint manufacturing deal with the new firm, he said nothing had been "decided".

Mr Dedeurwaerder's comments follow suggestions in the industry that the company may be forced to move towards a link with a Far Eastern manufacturer if it is to remain competitive in the small-car market.

It is assumed that, if AMC were to move in this direction, it would need the approval of Renault, which owns 45 per cent of the US group. In the past, Renault has proved a stubborn opponent of Jap-

anese expansion in Europe, but it has more recently begun to relax its stance.

This year, AMC's sales of its small Alliance model, based on the European Renault 5, have been devastated by competition from imports.

In future, a large sector of this small-car market will be supplied from mainland US with cars produced under joint projects between the American big three and the Japanese - GM is already working with Toyota while Ford has announced a deal with Mazda.

These Notes having been sold, this announcement appears as a matter of record only.

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Vienna | IBJ International Limited |
| Kidder, Peabody International Limited | Korea Exchange Bank |
| Kyowa Bank Nederland N.V. | Manufacturers Hanover Limited |
| Mitsubishi Trust & Banking Corporation (Europe) S.A. | Mitsui Finance International Ltd. |
| National Australia Bank | The National Commercial Bank (Saudi Arabia) |
| The Nikko Securities Co., (Europe) Ltd. | The Rural and Industries Bank of Western Australia |
| Saitama Bank (Europe) S.A. | Saudi International Bank
Al-Bank Al-Saudi Al-Alami Limited |
| Svenska Handelsbanken Group | Swiss Volksbank |
| Takagin International Bank (Europe) S.A. | Tokai International Limited |

5th December, 1985

International bond service,
Page 18

EUROBONDS

World Bank taps market for \$200m

By Maggie Urry in London

THE World Bank launched a Euro-dollar bond issue yesterday that some in the market believe could point to a new way of doing business. The issue was one of many in an active primary market and took advantage of a sharp rise in a point or more in prices, spurred by the firm New York bond market.

The bank's \$200m deal is led by Shearson Lehman Brothers International, which will not be recruiting any co-managers or underwriters, but is taking on the full commitment itself. The issue was priced just before the rise in the bond markets, and so Shearson's timing - partly lucky - was impeccable. The 15-year issue has a 10 per cent coupon and 100% issue price. It is non-callable, and fees total 2 1/2 per cent. Yesterday it was trading close to par.

Tied into this issue will be a serial zero-coupon deal with a \$500m redemption value which will be on sale worldwide and will be arranged by Shearson Lehman Brothers in New York, again on a sole management basis. This has 15 parts maturing annually from 2002 to 2016. Issue prices will be set on each portion to give a yield of around 8 to 15 basis points above the yield curve for stripped Treasury bonds. The World Bank is getting cheap long-term funding through the two deals.

The method of selling the deal without syndication it has raised some eyebrows in the market. It gives the lead manager much more control over the issue, however,

avoiding the problem of co-managers dumping bonds and thus forcing the lead manager to buy them back. Some dealers questioned whether the bonds would trade actively in the secondary market if traders had not participated in the primary business.

Morgan Guaranty also introduced some novelty yesterday, adding a new feature to the "harmless warrant" idea in a \$100m issue for Emerson Electric, the US company making its debut in the Eurobond market. Like the original harmless warrants, the bond is callable after five years, while the warrants to buy a non-callable bond with the same terms can only be exercised by surrendering the bond during the first five years.

The bonds have a 10-year life and pay a 9 1/2 per cent coupon. Unlike many of the other deals, the issue price is close to par at 100% while the call, instead of being at par, is at a premium at 101%. The warrants, priced at \$25, will be redeemed at that price if they are not exercised; they were dubbed "money-back" warrants.

After five years investors will be able to put the warrants back at \$15. So the warrant investor has a limited downside risk instead of facing the chance that the warrants will be worthless. The warrants traded as high as \$37 and settled back to around \$34, while the bonds were within the 2 per cent fees. Unlike most of the other harmless warrant deals, this one was believed not to include a swap.

Morgan Stanley won the bidding for the Belgium floater that came in two tranches totalling \$400m. The first 10-year portion is for \$150m and is non-callable. The coupon will be equal to six-month London interbank offered rate (Libor), and the issue price is 100.10 with fees of 13 basis points.

The second tranche has a 25-year life and is non-callable for one year. This pays 3 basis points over Libor and is also priced at 100.10, with fees of 15 basis points. Both were trading around par.

British Petroleum came for \$150m of seven-year money, paying a 9 1/2 per cent coupon issued at 100%. Morgan Stanley is lead manager, and the fees were set at 1 1/2 per cent. The issue, which is not being swapped, came too late in the day to trade actively.

In the convertible market, Smith and Nephew, the UK health products company that makes Nivea and Elastoplast, launched a \$60m, 15-year issue led by Kleinwort Benson. The coupon was indicated at 5 1/2 to 5 3/4 per cent and conversion premium at 5 to 7 per cent. Issue price is par, and fees total 2 1/2 per cent. The deal seemed to be going well although the name is not well-known. The bonds were trading around 98%.

Swiss Bank Corporation International set the terms for Bell Group's \$875m convertible with an 11 per cent coupon, at the top of the indicated range, and an 18 per cent con-

version premium, at the bottom of the range. It traded around the par issue price.

Another floater was launched in the D-Mark market, a DM 300m issue for Mitsubishi Finance (Hong Kong) guaranteed by Mitsubishi Bank. The 10-year deal will pay a coupon of 3/4 per cent over six-month Libor with a cap at 8 per cent. Deutsche Bank set the fees at 43 basis points. Dealers said the issue was trading around the total fees.

The secondary market for fixed-rate D-Mark issues firmed by about 1/4 point as demand was awakened by the rise in New York and thoughts of the approaching year-end.

In the French franc Eurobond market, Société Générale launched a FFr 500m issue for Crédit National. The coupon for the first seven years will be 10% per cent, after which it will be refixed for another seven years, with put and call options. Issue price is 98% per cent, and fees total 1 1/2 per cent. The bonds traded around 98%.

Activity was quiet in the Swiss franc foreign bond market, and prices were little changed. The new issues for Picon International, guaranteed by Pioneer Concrete, ended their first day's trading at 97%, down from the par issue prices. The nine-year portion had a 5 1/2 per cent coupon, and the 11-year deal pays 5 1/4 per cent.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Jonathan Carr traces the career of a controversial West German magnate

The rise, fall and rise of Hans Gerling

EXIT Flick, re-enter Gerling! In the history of business comebacks in West Germany, the case of Mr Hans Gerling, the controversial insurance entrepreneur, is among the most striking.

Thanks to Mr Friedrich Karl Flick's decision to sell off the industrial empire his father built up, Mr Gerling is now poised to regain full control of the insurance group his father founded.

Almost no one (apart perhaps from the dogged Mr Gerling himself) would have bet on this outcome a decade ago. The collapse in

1974 of Bankhaus Herstatt, in which the Gerling concern had a majority holding, had dealt Mr Gerling's career a severe - some thought fatal - blow.

After months of uncertainty, Mr Gerling agreed to sell 51 per cent of the Gerling concern, which he wholly owned, to help finance a Herstatt debt settlement.

That decision was undoubtedly a bitter one. His father Robert Gerling founded the business in Cologne in 1904, and when he died, the young Hans, aged 20, took over. He built up the company - then rebuilt

it after the Second World War. Virtually single-handed - Mr Gerling is known to be a "lone wolf" - he constructed one of the country's top insurance groups. Then came the Herstatt affair.

Half of the 51 per cent stake went to the VHD, a holding formed by several dozen industrial companies keen to see the Gerling concern (always particularly strong in the industrial sector) survive and thrive. The other half went to the Zurich insurance group which wanted to strengthen its place on the German market.

Mr Gerling was frequently and harshly criticised in connection with the Herstatt affair, he retreated to the Gerling supervisory board and his days of effective influence seemed numbered.

But by 1978 Mr Gerling was back

fighting for control against the Flick group, which wanted to diversify into the services sector and saw the Gerling concern as a good investment. After months of sparring, Flick seemed to win that round. It bought out the Swiss and many of the industrial partners in the VHD, thus winning control - albeit indirectly - over Gerling.

Mr Gerling still had only 49 per cent but eventually he won control as part of the deal with Flick to become chief executive of the insurance group. Initially the appointment was for only three years, but Mr Gerling quickly took all the old reins in his hands again and became virtually indispensable.

Last year the Gerling group raised gross premium income by 5.3 per cent to DM 4.7bn (\$1.84bn), and in May this year (one month before his 70th birthday) Mr Gerling's con-

tract in the top job was extended for another three years.

Last week Mr Flick dropped his bombshell, saying he was selling off almost all his empire for around DM 5bn to Deutsche Bank but would retain for the present his Gerling stake. Speculation mounted about who might eventually acquire that holding. But in fact Mr Gerling has a first option to buy, and his history indicates he has an unquenchable thirst to be "master of his house" again.

Sources in the Gerling concern say a deal with Flick has virtually been struck, though no details are given of the financing. At a rough estimate, Mr Gerling may have to pay around DM 500m in the transaction which would put him back firmly where he was before the Herstatt debacle.

Ranger



G.H. Bowman

GORDON H. BOWMAN has been elected as a Director of Ranger Oil Limited. As well, the Board has appointed Mr Bowman President and Chief Operating Officer of the Company. A native of Alberta, Mr Bowman served in the Canadian Armed Forces following which he graduated as a Petroleum Engineer from the University of Alberta. Mr Bowman has over 30 years experience in the petroleum industry including 12 years with Mobil Oil and 6 years with Pacific Petroleum. He has been employed with Ranger Oil in a managerial capacity in London, England since 1975 and, since 1978, has been Managing Director of Ranger Oil (U.K.) Limited. Mr Bowman was appointed to the position of Senior Vice President and Chairman of the Management Committee in 1982. J.M. Pierce remains as the Chairman of the Board and Chief Executive Officer. E.O. Perry, who has been a member of the Board of Directors of the Company since 1954, has retired. Ranger Oil is engaged in petroleum exploration and production in Canada, the United States, the United Kingdom, the Peoples Republic of China and other areas throughout the world.

The Board of Directors of RANGER OIL LIMITED announces the following appointment:

MOVE TO STRENGTHEN CONTROL OVER BOTTLERS
PepsiCo pays \$590m for MEI soft drinks business

BY WILLIAM HALL IN NEW YORK

PEPSICO, the US soft drinks and fast foods group, is buying the soft drink business of MEI for \$590m in a further move to strengthen its control over its Pepsi-Cola bottlers and distributors.

MEI is PepsiCo's third largest independent bottler and operates in 33 Pepsi-Cola franchise territories from the Mid-West to the Pacific coast. In 1984 it had pre-tax operating income of \$79.7m on sales of \$564m. MEI has not disclosed the net worth of the soft drink business being sold to Pepsi but says that its snack and health food business has an annual turnover of around \$200m.

The deal is worth around \$35 per MEI share in cash for MEI shareholders, and they are expected to receive an additional share in the snack and health food operation which is estimated to be worth another \$5 per MEI share.

The move follows PepsiCo's acquisition of Allegheny Beverage's Pepsi-Cola bottling subsidiary for \$160m last May. PepsiCo said it was not paying a particularly high price for MEI's bottling business. The price, equivalent to \$9 a case, was, it said, in line with the prices at which other Pepsi-Cola bottlers had been changing hands.

Mr Donald Kendall, PepsiCo's

chief executive, said: "Soft drinks represent unusually high growth opportunities for us and our franchised bottlers. It is a particularly attractive business because we and our bottlers can derive volume and profit increases through our own actions, with innovative products, packaging and marketing programmes."

In the past five years PepsiCo has invested \$600m in its US soft drinks business. "The increased volume that we have achieved this year, despite intensified competitive activities, is clear evidence that our investments will produce exceptional returns for years to come," said Mr Kendall.

Lufthansa and PSI in joint IT venture

BY JOHN DAVIES IN FRANKFURT

LUFTHANSA, the West German airline, is entering into a joint venture with PSI, a West Berlin software house, to market information technology, particularly for the aviation industry.

The company will be known as Lufthansa Informationstechnik und Software (LIS) with an initial capital of DM 1m (\$395,000). The airline has a 51 per cent stake and PSI the remaining 49 per cent.

Lufthansa has already been marketing technical know-how in a small way but sees greater prospects of doing so, not only in aviation but also in commerce and industry generally.

LIS will start operations next spring with a staff of 10, headed by Mr Helmut Zrenner from PSI, but Lufthansa expects the staff to grow to 50 within about five years. Lufthansa sees airlines and airports in developing countries as some of its potential customers, in view of the West German airline's longer experience with computers and complex organisational sys-

tems. But its ambitions extend to companies and organisations in other lines.

Lufthansa, which is three-quarters owned by the federal Government, already has interests in hotels, catering and car rental but sees all its extra activities as a logical extension of its main business of flying.

A Lufthansa executive said yesterday the airline had decided to base the information technology project in West Berlin as a way of helping the city. But West Berlin had a lot to offer through its universities and research institutes and had a highly qualified labour force, he said.

Like some other large industrial enterprises, Lufthansa is seeking to build on its own hard-won experience in computers and information systems to develop a useful "high-tech" sideline business.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for December 10.

U.S. DOLLAR	Issued	Bid	Offer	Change	Yield
STRANITS					
Ames 10% 90	100	101 1/2	102	+ 1/2	8.72
Ames 10% 90	100	102 1/2	103	+ 1/2	8.72
Ames 10% 90	100	103 1/2	104	+ 1/2	8.72
Ames 10% 90	100	104 1/2	105	+ 1/2	8.72
Ames 10% 90	100	105 1/2	106	+ 1/2	8.72
Ames 10% 90	100	106 1/2	107	+ 1/2	8.72
Ames 10% 90	100	107 1/2	108	+ 1/2	8.72
Ames 10% 90	100	108 1/2	109	+ 1/2	8.72
Ames 10% 90	100	109 1/2	110	+ 1/2	8.72
Ames 10% 90	100	110 1/2	111	+ 1/2	8.72
Ames 10% 90	100	111 1/2	112	+ 1/2	8.72
Ames 10% 90	100	112 1/2	113	+ 1/2	8.72
Ames 10% 90	100	113 1/2	114	+ 1/2	8.72
Ames 10% 90	100	114 1/2	115	+ 1/2	8.72
Ames 10% 90	100	115 1/2	116	+ 1/2	8.72
Ames 10% 90	100	116 1/2	117	+ 1/2	8.72
Ames 10% 90	100	117 1/2	118	+ 1/2	8.72
Ames 10% 90	100	118 1/2	119	+ 1/2	8.72
Ames 10% 90	100	119 1/2	120	+ 1/2	8.72
Ames 10% 90	100	120 1/2	121	+ 1/2	8.72
Ames 10% 90	100	121 1/2	122	+ 1/2	8.72
Ames 10% 90	100	122 1/2	123	+ 1/2	8.72
Ames 10% 90	100	123 1/2	124	+ 1/2	8.72
Ames 10% 90	100	124 1/2	125	+ 1/2	8.72
Ames 10% 90	100	125 1/2	126	+ 1/2	8.72
Ames 10% 90	100	126 1/2	127	+ 1/2	8.72
Ames 10% 90	100	127 1/2	128	+ 1/2	8.72
Ames 10% 90	100	128 1/2	129	+ 1/2	8.72
Ames 10% 90	100	129 1/2	130	+ 1/2	8.72
Ames 10% 90	100	130 1/2	131	+ 1/2	8.72
Ames 10% 90	100	131 1/2	132	+ 1/2	8.72
Ames 10% 90	100	132 1/2	133	+ 1/2	8.72
Ames 10% 90	100	133 1/2	134	+ 1/2	8.72
Ames 10% 90	100	134 1/2	135	+ 1/2	8.72
Ames 10% 90	100	135 1/2	136	+ 1/2	8.72
Ames 10% 90	100	136 1/2	137	+ 1/2	8.72
Ames 10% 90	100	137 1/2	138	+ 1/2	8.72
Ames 10% 90	100	138 1/2	139	+ 1/2	8.72
Ames 10% 90	100	139 1/2	140	+ 1/2	8.72
Ames 10% 90	100	140 1/2	141	+ 1/2	8.72
Ames 10% 90	100	141 1/2	142	+ 1/2	8.72
Ames 10% 90	100	142 1/2	143	+ 1/2	8.72
Ames 10% 90	100	143 1/2	144	+ 1/2	8.72
Ames 10% 90	100	144 1/2	145	+ 1/2	8.72
Ames 10% 90	100	145 1/2	146	+ 1/2	8.72
Ames 10% 90	100	146 1/2	147	+ 1/2	8.72
Ames 10% 90	100	147 1/2	148	+ 1/2	8.72
Ames 10% 90	100	148 1/2	149	+ 1/2	8.72
Ames 10% 90	100	149 1/2	150	+ 1/2	8.72
Ames 10% 90	100	150 1/2	151	+ 1/2	8.72
Ames 10% 90	100	151 1/2	152	+ 1/2	8.72
Ames 10% 90	100	152 1/2	153	+ 1/2	8.72
Ames 10% 90	100	153 1/2	154	+ 1/2	8.72
Ames 10% 90	100	154 1/2	155	+ 1/2	8.72
Ames 10% 90	100	155 1/2	156	+ 1/2	8.72
Ames 10% 90	100	156 1/2	157	+ 1/2	8.72
Ames 10% 90	100	157 1/2	158	+ 1/2	8.72
Ames 10% 90	100	158 1/2	159	+ 1/2	8.72
Ames 10% 90	100	159 1/2	160	+ 1/2	8.72
Ames 10% 90	100	160 1/2	161	+ 1/2	8.72
Ames 10% 90	100	161 1/2	162	+ 1/2	8.72
Ames 10% 90	100	162 1/2	163	+ 1/2	8.72
Ames 10% 90	100	163 1/2	164	+ 1/2	8.72
Ames 10% 90	100	164 1/2	165	+ 1/2	8.72
Ames 10% 90	100	165 1/2	166	+ 1/2	8.72
Ames 10% 90	100	166 1/2	167	+ 1/2	8.72
Ames 10% 90	100	167 1/2	168	+ 1/2	8.72
Ames 10% 90	100	168 1/2	169	+ 1/2	8.72
Ames 10% 90	100	169 1/2	170	+ 1/2	8.72
Ames 10% 90	100	170 1/2	171	+ 1/2	8.72
Ames 10% 90	100	171 1/2	172	+ 1/2	8.72
Ames 10% 90	100	172 1/2	173	+ 1/2	8.72
Ames 10% 90	100	173 1/2	174	+ 1/2	8.72
Ames 10% 90	100	174 1/2	175	+ 1/2	8.72
Ames 10% 90	100	175 1/2	176	+ 1/2	8.72
Ames 10% 90	100	176 1/2	177	+ 1/2	8.72
Ames 10% 90	100	177 1/2	178	+ 1/2	8.72
Ames 10% 90	100	178 1/2	179	+ 1/2	8.72
Ames 10% 90	100	179 1/2	180	+ 1/2	8.72
Ames 10% 90	100	180 1/2	181	+ 1/2	8.72
Ames 10% 90	100	181 1/2	182	+ 1/2	8.72
Ames 10% 90	100	182 1/2	183	+ 1/2	8.72
Ames 10% 90	100	183 1/2	184	+ 1/2	8.72
Ames 10% 90	100	184 1/2	185	+ 1/2	8.72
Ames 10% 90	100	185 1/2	186	+ 1/2	8.72
Ames 10% 90	100	186 1/2	187	+ 1/2	8.72
Ames 10% 90	100	187 1/2	188	+ 1/2	8.72
Ames 10% 90	100	188 1/2	189	+ 1/2	8.72
Ames 10% 90	100	189 1/2	190	+ 1/2	8.72
Ames 10% 90	100	190 1/2	191	+ 1/2	8.72
Ames 10% 90	100	191 1/2	192	+ 1/2	8.72
Ames 10% 90	100	192 1/2	193	+ 1/2	8.72
Ames 10% 90	100	193 1/2	194	+ 1/2	8.72
Ames 10% 90	100	194 1/2	195	+ 1/2	8.72
Ames 10% 90	100	195 1/2	196	+ 1/2	8.72
Ames 10% 90	100	196 1/2	197	+ 1/2	8.72
Ames 10% 90	100	197 1/2	198	+ 1/2	8.72
Ames 10% 90	100	198 1/2	199	+ 1/2	8.72
Ames 10% 90	100	199 1/2	200	+ 1/2	8.72

Alcatraz City 10% 90	100	108 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	110 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	112 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	114 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	116 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	118 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	120 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	122 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	124 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	126 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	128 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	130 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	132 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	134 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	136 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	138 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	140 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	142 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	144 1/2	+ 1/2	+ 1/2	10.35
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Alcatraz City 10% 90	100	148 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	150 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	152 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	154 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	156 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	158 1/2	+ 1/2	+ 1/2	10.35
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Alcatraz City 10% 90	100	162 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	164 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	166 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	168 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	170 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	172 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	174 1/2	+ 1/2	+ 1/2	10.35
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Alcatraz City 10% 90	100	178 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	180 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	182 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	184 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	186 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	188 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	190 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	192 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	194 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	196 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	198 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	200 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	202 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	204 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	206 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	208 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	210 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	212 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	214 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	216 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	218 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	220 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	222 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	224 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	226 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	228 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	230 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	232 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	234 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	236 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	238 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	240 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	242 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	244 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	246 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	248 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	250 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	252 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	254 1/2	+ 1/2	+ 1/2	10.35
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Alcatraz City 10% 90	100	266 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	268 1/2	+ 1/2	+ 1/2	10.35
Alcatraz City 10% 90	100	270 1/2	+ 1/2	+ 1/2	10.35
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Alcatraz City 10% 90	100	280 1/2	+ 1/2	+ 1/2	10.35
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INTL. COMPANIES & FINANCE

Surprise resignation at GEC India

BY JOHN ELLIOTT IN CALCUTTA

A MANAGEMENT reorganisation of the four Indian offshoots of GEC of the UK has been interrupted by the resignation of the managing director of the largest company only six months after he was appointed.

The reorganisation will raise the corporate profile of GEC in India by moving the office of the single chairman to the four companies from Calcutta to New Delhi. The companies have a combined turnover of about Rs 2bn (\$165.8m) and each will have its own managing director reporting to the chairman.

The managing director who resigned was Dr M. D. Shukla, who took up the post at the Calcutta-based General Electric of India in June. His resignation was accepted last Friday by the board, which is concerned about the need for tighter management and financial control at a time of sluggish demand in India's electrical and electrical engineering industry.

Dr R. S. Mamak, the chairman and former managing director, said yesterday it was a "mutual parting."

Dr Shukla was previously vice president in charge of electrical engineering at Voltas, part of Tata, India's largest family empire.

The four GEC companies employ about 10,000 people, their sales which rose some Rs 250m in the latest year, produced profits of Rs 170m, according to Dr Mamak.

General Electric of India, which is 66 per cent owned by its UK parent, accounts for nearly half the business and manufactures electrical machinery and other engineering products. It is expanding through a series of collaboration agreements with GEC companies in the UK for process control microprocessors and other electronic industrial systems, medical electronic

equipment, vacuum circuit breakers, small hydro electric generators, and 400 kV transformers.

The next largest companies are English Electric of Madras, also 66 per cent UK-owned, and Genelec of Calcutta, which is 33 per cent owned by General Electric of India. The fourth company, Power Engineering Services, is 74 per cent UK-owned and was set up recently in connection with a \$150m (\$218.5m) contract won last year by GEC in the UK to supply a power station for Bharat Aluminium.

Dr Mamak is resigning from the chairmanship of the four companies next year to move with his family to the UK. He will be replaced by Mr A. K. Khosla, managing director of English Electric, who will move the chairman's office from Calcutta to Delhi.

The board of General Electric of India has also been ex-

panded by the surprise appointment of a non-executive director of Mr Jit Paul, a Calcutta businessman who has built up the Apeejay group of steel, engineering and tea companies.

Mr Paul is an elder brother of Mr Swraj Paul, who runs the London-based Caparo Group which has made controversial take over bids in the UK and India. Together the Caparo Apeejay groups plan investments in India totalling some \$1bn in fertilisers and chemical plants and steelworks.

General Electric hopes to obtain substantial orders for these projects, and this influenced the decision to invite Mr Jit Paul on to the board. Both Mr Paul and Dr Mamak yesterday denied rumours that the Paul family was buying shares in General Electric of India at a time when a number of British-owned companies in Calcutta have been changing hands.

Foreign banks reassess Japan

BY YOKO SHIBATA IN TOKYO

BANK OF AMERICA, announced yesterday that it is to close its branch in Kobe, Japan, next month. The decision follows the closure last January of the bank's branch in Yokohama, another of the country's leading business centres outside Tokyo, and comes as the latest signal of the critical times facing foreign banks which operate in Japan.

Profitability of commercial banking has been fading and the return on assets shrinking over the past several years. The main reason many have determined to hang on despite the difficulties is the potential for Tokyo to expand its role as a world financial centre.

Although Bank of America—the second biggest US bank—did not immediately elaborate on its decision, most foreign banks are undertaking a fundamental reassessment of their operations in Japan in an attempt to identify which are the most feasible for them. They are also restructuring by reducing the number of expen-

sive expatriates employed and encouraging early retirement by local employees.

Recently a number of foreign banks have opened branches or representative offices in Japan, but a number of others have closed down or cut back branches.

For Marine Midland of the US, which is among those pulling out, low profitability persuaded head office to close the Tokyo branch. American Express, meanwhile—which has a well established commercial banking operation in Japan—is sacrificing this for a securities broking business through Shearson Lehman Brothers.

Japanese banking law requires a separation of the two, and Amexco clearly takes the view that the securities marketplace will remain the more lucrative.

Among those foreign banks which have opened offices in Tokyo recently are Westpac, which became the first Australian bank to upgrade its representative office to full branch status. National Commercial

Bank of Saudi Arabia has newly established a representative office as the first such Saudi presence.

The foreign banks have blamed their poor performance on dwindling corporate demand for loans, along with high funding costs. Foreign banks in Japan have no access to the low-cost funds available from private individual depositors attracted by Japanese retail banks. Instead they obtain 90 per cent of their yen funds on the short-term money market in the form of discount bills, call money, or certificates of deposit (CDs) where rates are effectively controlled by the Bank of Japan.

This has left them badly bruised by the Bank of Japan's recent monetary squeeze as the central bank guided short-term rates higher.

The balance of outstanding loans by the 78 foreign banks at the end of October stood at ¥5,440bn (\$36.75bn), a decline of 11 per cent in only one month.

General Tyre Pakistan in the red

By Mohammed Afzal in Islamabad

GENERAL TYRE and Rubber company of Pakistan, an affiliate of General Tyre, a giant, suffered after-tax loss of PRs 7.03m (\$440,000) in the year ended June. The Karachi-based company had made profits of PRs 25.63m in the previous year.

Sales declined marginally to PRs 139.82m from PRs 141m in 1984, but Gen Habibullah Khan Khattak, the chairman, said the company was looking forward to healthy growth.

The company last year undertook a major expansion programme to modernise its tyre-making on a large scale, in collaboration with the US company.

The Pakistani company also claimed that illegal imports of tyres into Pakistan had "increased to an alarming level." The cheap tyres, mainly of South Korean and Japanese origin, were providing tough competition.

ICI Australia profits fall after sharp rise in tax

BY MICHAEL THOMPSON-NOEL IN SYDNEY

ICI AUSTRALIA, which is 62 per cent owned by the leading British chemicals group, showed a 9.7 per cent fall in net profits for the year to September, to A\$58.4m (US\$39.1m), on sales 22 per cent higher at A\$1.8bn.

The main factors cited for the downturn were the fall of the local dollar, which boosted the cost of feedstocks, and a sharp rise in tax.

The company's tax bill rose from A\$28.6m to A\$64.1m after a rundown in investment allowances. At the trading level, profits were 30 per cent higher at A\$133.9m.

The group said there was improved demand for most of its products, despite stiff competition from foreign suppliers, particularly in Europe. Competitive pressures showed some signs of easing in the second half of the year.

The annual dividend is being kept at 15 cents a share, covered by earnings of 23.6 cents a share, against 29 cents previously.

ICI Du Pont of the US is to enter a pesticide joint venture with the Australian Government's Commonwealth Scientific and Industrial Research Organisation (CSIRO), Reuters reports from Canberra.

Mr Keith Boardman, CSIRO's chairman, and Mr Peter Grunwald, Du Pont Australia's managing director, said the project could generate annual sales of A\$150m with the first product on the market within five years.

Du Pont Australia will have a 49 per cent stake in the venture, with the remainder held by CSIRO, CSIRO's commercial arm. The project will make and market pesticides developed by CSIRO.

Food group merger plan hits regulatory snags

BY OUR FINANCIAL STAFF

THE MERGER proposal which would create Australia's largest food combine has become enmeshed in contradictory requirements laid down by the regulatory agencies involved.

Fielder Gillespie Davis, the Sydney-based company which initiated the move five weeks ago with two takeover bids for Allied Mills of Australia and New Zealand's Goodman Group—two much larger rivals—acceded yesterday to a variation in the structure of its offers.

This was in order to meet a stipulation by the Trade Practices Commission, an Australian federal body, that the two bids should not be made mutually dependent. The removal of an overt link allowed Fielder to get round objections by the commission that the three companies together would dominate the country's market for edible oils and margarine.

The commission said in Canberra that it would withdraw its application for an injunction restraining Fielder. Only hours later, however, the National Companies and Securities Commission (NCSC) stepped in from Melbourne.

The NCSC revoked the registration of the offer document in the belief that it might contain matter that had become false or materially misleading. It was concerned in particular that Fielder's original description of its aim as securing a three-way merger might no longer be the case.

Goodman has meanwhile reported a 167.9 per cent surge in net profits to NZ\$13.5m (US\$7.5m) for the half-year to September, on turnover which at NZ\$221.5m was ahead by 36.3 per cent. The three companies together would have annual sales estimated at A\$1.5bn.

Spear & Jackson shareholders ACT NOW



ACCEPT NEILL'S GENEROUS OFFERS

260p* in shares
250p in cash

S&J's share price had never been near these levels before Neill's bid

IGNORE your board's last ditch manoeuvre

You are being invited to pay for an acquisition which we believe is over-priced or see your holding diluted.

The stock market's verdict is clear—S&J's shares fell sharply on the announcement of this proposal. How much further will they fall if Neill's offers fail? S&J's price was 165.5p* before our bid.

DON'T DELAY

Acceptance forms must reach London by this Saturday, 14th December. Remember the post can be slower at Christmas.

TELLS FROM NEILL ECLIPSE BRITDOOL WOODWARD STUBBS HESLIN

*Based on the middle market price of Neill Ordinary shares on 6th December, 1985. †Based on the middle market price of S&J Ordinary shares on 27th September, 1985. This advertisement is published by Hill Samuel & Co. Limited on behalf of James Neill Holdings plc ("Neill"). The directors of Neill (including those who have delegated detailed supervision of this advertisement) have taken all reasonable care to ensure the facts stated and opinions expressed herein are fair and accurate and each of the directors accepts responsibility accordingly.

هكذا من العمل

Woodside Petroleum Ltd.



Woodside Oil Ltd.

Mid-Eastern Oil Ltd.

Woodside Petroleum Development Pty Ltd.

US\$1,650,000,000

Project Financing for the Australian North West Shelf Gas Project

In this transaction the Borrowers were advised by

Morgan Grenfell & Co. Limited

and

Morgan Grenfell Australia Limited



Phillips Petroleum Company

has sold

GAO North Sea Ltd

to

Det Norske Oljeselskap

The undersigned acted as financial advisor to Phillips Petroleum Company.

Morgan Grenfell & Co. Limited



Phillips Petroleum Company

has sold

Aminol (Netherlands) Petroleum Company

to

Newmont Mining Corporation

The undersigned acted as financial advisor to Phillips Petroleum Company.

Morgan Grenfell & Co. Limited

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Kingdom of Spain

U.S. \$100,000,000

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The following have agreed to subscribe or procure subscribers for the Notes:

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Banco Hispano Americano, S.A.		Bank Brussel Lambert N.V.
Bank of Tokyo International Limited		Bank of Yokohama (Europe) S.A.
Bankers Trust International Limited		Banque Nationale de Paris
Chase Manhattan Limited		Chemical Bank International Limited
Credit Lyonnais		Credit Suisse First Boston Limited
Dai-Ichi Kangyo International Limited		Daiwa Europe Limited
Deutsche Bank Capital Markets Limited		Dresdner Bank Aktiengesellschaft
EBC Amro Bank Limited		First Chicago Limited
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IBJ International Limited		Kidder, Peabody International Limited
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Saitama Bank (Europe) S.A.		Sanwa International Limited
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Toyo Trust International Limited		Yamaichi International (Europe) Limited

Application has been made for the Notes, in the denominations of U.S. \$10,000 and U.S. \$250,000 each, constituting the above issue to be admitted to the Official List by the Council of The Stock Exchange, subject only to the issue of the temporary Global Note. The issue price of the Notes is 100.05 per cent. of their principal amount. Interest will be payable semi-annually in arrears in June and December, the first payment being made in June 1986.

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London EC2R 7AN.

Orion Royal Bank Limited,
1 London Wall,
London EC2Y 5JX.

11th December, 1985

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December 1985

Woodside Petroleum Ltd.



Woodside Oil Ltd.

Mid-Eastern Oil Ltd.

Woodside Petroleum Development Pty Ltd.

US\$1,650,000,000

Project Financing for the North West Shelf Gas Project
Western Australia

Arranged and Underwritten Jointly by

AUSTRALIAN INDUSTRY DEVELOPMENT CORPORATION
THE BANK OF TOKYO, LTD.
BANQUE NATIONALE DE PARIS
CHASE INVESTMENT BANK
DEUTSCHE BANK AKTIENGESellschaft
NATIONAL AUSTRALIA BANK LIMITED
WESTPAC BANKING CORPORATION

BANK OF MONTREAL
BANQUE DE LA SOCIÉTÉ FINANCIÈRE EUROPÉENNE
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THE DAI-ICHI KANGYO BANK, LIMITED
THE INDUSTRIAL BANK OF JAPAN, LIMITED
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Lead Managers
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Co-Managers
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The Daiwa Bank, Limited
Generale Bank S.A./N.V.
The Rural and Industries Bank of Western Australia
Security Pacific National Bank
State Bank of South Australia
State Bank of Victoria
Westdeutsche Landesbank Girozentrale

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Banque de la Société Financière Européenne
Barclays Bank PLC
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The Industrial Bank of Japan, Limited
National Australia Bank Limited

Westpac Banking Corporation

Canadian Imperial Bank Group
EBC Amro Bank Limited
The Long Term Credit Bank of Japan, Limited

Hongkong Bank Limited
Mellon Bank
The Mitsubishi Trust and Banking Corporation
The Sumitomo Bank, Ltd.

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Midland Bank plc
The Nippon Credit Bank, Ltd.
Toronto Dominion Bank

Arab Banking Corporation (ABC)
Bergan Bank
Christiania Bank og Kreditkasse
Credit Suisse
Den norske Creditbank
InterFirst Bank Dallas N.A.
The Saltama Bank, Ltd.
State Bank of New South Wales
Union Bank of Switzerland
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Agent

The Chase Manhattan Bank, N.A.

INTL. COMPANIES & FINANCE

Frank Gray looks at an unusual method of financing exports
Sharp growth in use of the forfait

THE USE of forfaiting as an instrument of export finance has probably doubled in the last two years and may now account for about 1 per cent or about \$25bn of all world trade financing, says one senior London banker.

Other bankers acknowledge that there has been a boom in forfaiting over this period but believe that the use of this once unusual device to finance exports is now undergoing a period of retrenchment, with many financial services groups now withdrawing from the market.

Mr Ian Guild, chief executive of Midland Bank, the Midland Bank's forfaiting unit, made the observation about forfaiting's growth at the recent launch of a new book on the subject. Forfaiting—An Alternative Approach to Export Trade Finance. The 124-page book was co-written with Mr Rhodri Harris, a City financial expert, and is understood to be the first full treatise on the subject.

The previous basic document was a booklet prepared in the late 1970s by Finanz of West Germany. Most of the serious providers of forfaiting counsel in the City have developed their own in-house handbooks.

Indicative of the growth in forfaiting is the increase in the size of transactions handled. A Midland Bank official says that three years ago, forfait deals ranged between \$250,000 and \$1m, but now, said Mr Guild, they ranged between \$5m and \$50m in general, and often involved even larger sums.

Midland recently completed a DM 360m (\$143m) deal on behalf of Turkey's Finance Ministry that is linked to British Aerospace sales.

In forfaiting, a bank, at an exporter's request, agrees to take over the suppliers' credit that the exporter has arranged for his foreign customer. The bank's intervention takes place shortly after the basic deal, with financing, has been worked out between seller and buyer. The bank agrees to do so only at a discount, or service charge, sufficient to make its participation in the venture worth while, and with the proviso that the outstanding financing will be repaid.

The bank is not concerned with the goods sold, and undertakes the deal without recourse, a vital phrase in forfaiting, to the exporter. Its interest is in acquiring the bills of exchange, or promissory notes, from the

deal, which it may choose to break down into six-month repayment segments over the term of the originally conceived deal, which can be sold, again at a discount, on the growing secondary market. The bank will only buy the documents if they have been guaranteed, or "avalised" (a less specific form of guarantee) by the importer's bank or, in many cases, a government institution. Without such backing, the deal cannot take place. Most deals cover three to five-year repayment term, but eight-year deals are now becoming more evident.

The chief advantage for the

a deal, for example, can prove a hurdle in some countries, such as Algeria, where, should litigation result over faulty goods, the banks themselves can be drawn into it.

In principle, forfaiting is used to support trade in capital goods but commodities increasingly are being used.

A spur to the growth in forfaiting was provided several years ago by the London Forfaiting Company, a unit of the Exco financial services group. Headed by Mr Jack Wilson and Mr Stathis Papoutas, it grew out of the two men's association at that time with Hungarian Inter-

financial groups to enter the field but, said one senior London banker, "many failed to bring their own client base into the marketplace and, instead, tried to live off the existing base provided by the mainstream players." As a consequence, yields have narrowed, and many groups have since withdrawn from the fray.

It is estimated that there are now 20 institutions in London doing this kind of business. Among the non-UK institutions are Royal Bank of Canada, Scandinavian Bank, Credito Italiano International, Westpac Banking of Australia, Badische Finanz AG of West Germany, Credit Suisse, and Creditanstalt Bankverein of Austria.

As with countertrade, forfaiting, or a forfait as it is known in the industry, grew out of trade between Western European companies and trade organisations within Comecon. While East-West trade is still the basis of forfait-financed dealings, in recent years it has become a fully international device.

London Forfaiting says that most of its business is on behalf of non-UK clients, although it is working to build up its British client base. It recently opened an office in Limassol, Cyprus, which enables it to serve the growing Middle East market where, owing to post-oil-boom austerity, many customers are now seeking more arcaic trade services to put together capital goods deals with the industrialised countries. It is also to open an office in Milan in the next few weeks.

They are following in the footsteps of Italian banks' forfaiting activity in the region, which has emerged to offset the strained trade circumstances that Italy, and other countries, have experienced with Latin American trade.

In one of the more unusual deals involving the Middle East, Royal Bank of Canada recently agreed to participate in a \$40m transaction in which Italian capital goods were shipped to Iraq. Since the goods were guaranteed by SACE, the Italian export credit insurance agency, Royal Bank's deal became strictly bilateral between it and the Italians, with SACE's guarantee sufficient to back the bank's finance participation.

Forfaiting—An Alternative Approach to Export Trade Finance, by Ian Guild and Rhodri Harris. Woodhead-Faulkner, 124 pages, £35.



Mr Jack Wilson, chief executive of the London Forfaiting Company, a unit of the Exco financial services group

exporter is that a credit sale can be turned into a cash transaction—in effect, the exporter gains full reimbursement less the bank's discount, for the credit it has arranged for its client. In addition, the credit risks and currency exposure are passed to the bank.

Forfaiting gives the importer access to medium-term, fixed-rate financing in the principle "hard" currencies, thereby providing knowledge from the outset of the exact total financial cost in the currency of repayment.

Bankers point out that the key to making a forfait deal work is in the simplicity of the documentation. But a vital factor is trust. "We have to know with whom we are dealing if a deal is to be concluded successfully," said one.

The non-recourse element of

national's profits of £8m (\$11.8m) in 1983 derived from forfaiting.

Messrs Wilson and Papoutas were founder members a decade earlier of the Hungarian bank before deciding to join Exco. Their forfaiting team now numbers more than 40, by far the largest in the City. Other groups, such as Midland and National Westminster, have small teams of specialists but have the overall resources of their export finance divisions to provide support.

Some London bankers reckon that the setting up of London Forfaiting was the single most important factor in the resulting interest in forfaiting by other institutions. As a result, London now rivals Frankfurt and Zurich as a key centre for such finance.

That prompted dozens of

All of these securities having been sold, this announcement appears solely for purposes of information.

NEW ISSUE

December 4, 1985

1,500,000 Shares

LIBOR Preferred Stock, Series A
(Stated value \$50 per share)

Dividends are cumulative from the Original Issuance Date and are payable quarterly on January 15, April 15, July 15 and October 15 of each year, beginning April 15, 1986. The dividend rate (based upon the stated value) will be 7.10% per annum for the period from the Original Issuance Date to April 15, 1986, and for quarterly dividend periods thereafter will be at the Applicable Rate in effect from time to time. The Applicable Rate for each quarterly dividend period, determined in advance of the dividend period, will be 85% of the per annum arithmetic mean of London interbank offered rates for United States dollar deposits for three months prevailing on the Dividend Determination Date.

The First Boston Corporation

Goldman, Sachs & Co. Kidder, Peabody & Co. Merrill Lynch Capital Markets
Morgan Stanley & Co. Salomon Brothers Inc. Shearson Lehman Brothers Inc.

All of these Securities have been offered outside the United States.
This announcement appears as a matter of record only.

New Issue / December, 1985

U.S. \$100,000,000

CrossLand Savings, FSB

Collateralized Floating Rate Notes, Series A
Due December 1997

Salomon Brothers International Limited

Bank of Tokyo International Limited Dai-ichi Kangyo International Limited
Drexel Burnham Lambert Incorporated Fuji International Finance Limited
LTCS International Limited Mitsubishi Trust & Banking Corporation (Europe) S.A.
Morgan Stanley International Orion Royal Bank Limited
PaineWebber International Sumitomo Trust International Limited
Swiss Bank Corporation International Limited Tokai International Limited



BANCO DE LA PROVINCIA
DE BUENOS AIRES
U.S. \$30,000,000 Floating Rate
Notes Due 1986

For the six months
9th December 1985 - 9th June 1986
the Notes will carry an
interest rate of 8 1/2% per annum.
Bankers Trust Company, London
Fiscal Agent



CAISSE NATIONALE DE CRÉDIT AGRICOLE
US\$250,000,000
Floating Rate Notes due 1995

For the six months
9th December 1985 to 9th June 1986
the Notes will carry an interest rate
of 8 1/2% per annum with a coupon
amount of US\$429.72 per US\$10,000 note,
payable on 9th June 1986.

Listed on the Luxembourg Stock Exchange
Bankers Trust Company, London
Fiscal Agent



OVERSEAS TRUST BANK
LIMITED
(a licensed bank incorporated with limited liability in Hong Kong)

US\$40,000,000
Floating Rate Bearer Notes 1990

Holders of Floating Rate Notes of the above issue are hereby notified that for the next interest period from December 12, 1985 to June 12, 1986 the following information is relevant:

1. Applicable interest rate: 8 7/8% per annum
2. Interest payable on next interest payment date: US \$426.56 per US \$10,000.00 nominal or US \$10,964.06 per US \$250,000.00 nominal
3. Next interest payment date: June 12, 1986

December 10, 1985

BA Asia Limited
Reference Agent

Teollisuuden Voima Oy
(TVO Power Company)

U.S. \$100,000,000

Floating Rate Notes due 2004

Notice is hereby given that the Rate of Interest for the final Interest Sub-period of the Interest Period ending on 9th January, 1986, has been fixed at 8 1/2% per annum. Coupon 7 will therefore be payable at US\$12.50 per Coupon on 9th January, 1986.

11th December, 1985
Manufacturers Hanover Limited
Agent Bank

TECHNOLOGY

EDITED BY ALAN CANE

Realise the potential of Teletext

We transmit Pages data on Oracle for use within our systems. Transmission on BBC will soon commence.

We have the technology and the hardware to fully exploit Teletext.

Electron Systems (Marketing) Ltd
0767 261161

ESM

Electronic data guide published

MANAGERS WHOSE responsibilities bring them into contact with electronic transmission of company information should find a new guide from the Eurodata Foundation useful.

The 96-page book provides a reasonably up-to-date picture of how speech, text, images and computer data can be sent locally, nationally and internationally.

Dr A. V. Stokes, director of computing at St Thomas's Hospital, London, is the author. He succeeds in explaining what is involved in such systems without sinking too far into technical jargon and the style will be appreciated by managers with limited technical knowledge.

The book outlines how data communications have developed (useful in understanding the present situation), describes the current public services and indicates what the future holds.

The equipment used is outlined and the emerging standards, including the ISO seven layer model, are covered. The choice and implementation of systems is the subject of a separate chapter.

Overview of Data Communications, Eurodata Foundation, 54 Fetter Lane, London EC4A 1AA. £10.

Byting back

DENTISTS AROUND Britain hope their claims for payment from the Health and Social Security Department will be dealt with more quickly as a result of a £4m computer system installed in Eastbourne, Sussex.

The ICL 2900 Model 39 machine will operate at the offices of the department's Dental Estimates Board which deals with about 30m claims a year for payment from dentists working for the National Health Service.

Stitching up a £50m world market

TWO BRITISH companies have joined forces to produce a system that uses screen, keyboard and computer to automate embroidery design and convert it directly into the paper tape that controls production equipment.

The market for embroidered products is worth more than £100m a year in the UK alone and the potential world market for computer-aided design and manufacturing equipment for embroidery is thought to be about £50m annually.

At the moment, equipment to prepare the punched tapes that control the multi-head production machines is supplied mainly by Wilcom of New South Wales, Australia.

The UK companies, Terminal Data Systems of Blackburn and CAD/CAM Punch of London (01-953 4402), are entering the market with an advanced product containing a 32-bit Charles River microcomputer. This can derive a design directly from a drawing using a digitiser and store it electronically. The design is displayed on the screen and immediately can be altered and improved through the system's keyboard before being translated into a coded series of holes in the control tapes.

Geoffrey Charlish reports on how computers are aiding makers of embroidery

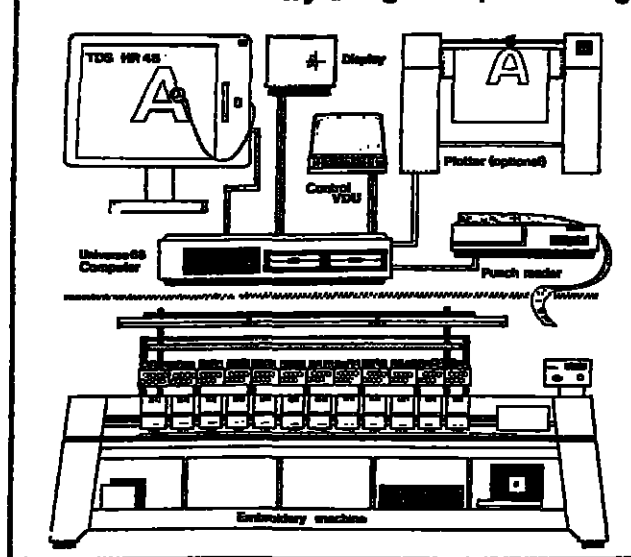
TDS makes digitisers, in which an operator moves a "mouse" (a hand-operated line tracker) over the surface of a paper drawing to derive the X and Y co-ordinates for computer storage.

CAD/CAM Punch has an associate, LD Designs of Nottingham, that uses Japanese machines to produce paper tapes for embroidery firms.

The two companies' managing directors, Bob Astley and John Bell, who met at a computer-aided design show in 1984, soon realised they had the makings of an embroidery design system and CAD/CAM Punch has been set up to market the new system.

Traditionally, a 5 in wide paper tape is produced for use in the largely mechanical control systems of older embroidery machines. Each stitch has to be plotted on a large scale drawing and trans-

Automated Embroidery Design & Tape Punching



ferred to the tape using complex mechanical units.

Use of a computer allows the calculations that determine the best sequence of stitching to be completed within seconds. The holes representing the stitches can then be punched into the tape—now only an inch wide—used to activate needles in modern embroidery machines.

Astley and Bell's machine goes further, however, and eliminates the tedious process of preparing a large scale drawing. Now, designs can be created on screen and transferred to tape more easily.

If the design already exists, it is committed to computer using the TDS digitiser, to an accuracy of 10 microns. Alternatively, it can be created on a high definition screen and then enlarged, rotated, stretched or otherwise amended to suit the designer.

Once a design has been completed, it can be stored on the computer disk to be immediately recalled for production in the future or as the basis of a modified design.

Mr Bell says that over recent years embroidery production has become highly automated with multi-head machines installed at 200 a month worldwide. Apart from some 600 embroidery companies in the UK, there are thought to be a further 12,000 in the US, more than 2,000 in Japan and many elsewhere in the world.

Similar systems are beginning to appear in the patterned weaving industry where the design problem is similar but the production machinery is a Jacquard loom, for which, conventionally, punched cards have to be prepared.

Bonas Machine Company of Sunderland has a system that will do away with the conventional painting of designs on paper and the subsequent tedious transference to Jacquard cards.

Again, the designs can be created directly with screen and keyboard, with standard routines for types of cloth such as taffeta or satin and the usual CAD facilities for pattern manipulation.

An interesting advance by Bonas however, is an electronic Jacquard that obviates punched cards altogether.

The design, after completion on screen, is transferred in a fraction of a second to an Eprom (erasable, programmable read-only memory) which is simply plugged into the electronic loom, which reads its instruction from the storage "chip" and weaves the corresponding pattern in the cloth. A change in weaving pattern involves no more than plugging in a different Eprom.

Bonas offers a TV imaging system to allow those companies using traditional painted artwork to "capture" the painting electronically. The company also makes a high speed card punch so that traditional Jacquards can be used—it is operated by plugging in an Eprom.

Another company, Gems of Cambridge, has developed a system called Gemweave that by-passes manual Jacquard card production with a system similar to that of Bonas.

It was developed in conjunction with J. and J. Cash, well known for its woven name tags on children's clothing.

Dilemma of a stalemate past political tinkering

Video & Film

BY JOHN CHITTOCK

IF THE promised disease and disaster brought by Halley's comet does not put an end to the world before December 31, then 1985 is going to go down as a very turbulent year in the media business.

It has been the year of change—with Britain's fledgling cable TV industry playing musical chairs, satellite television upsetting the status quo for national broadcasters, the film industry upset by everything from government policy to cheap video movies, and the technical services business undergoing financial catharsis; Humphries Film Laboratories closing in London, some others in difficulty, video facility houses such as Molinare and TVT being taken over, and others like TSI, Lee, Carlton and Samuelson enlarging or rationalising their structures.

The technical status quo has been under pressure as well, with not only the de facto standards of VHS video and 625 line PAL television challenged—the former by 8mm, the latter by MAC, enhanced PAL and high definition TV—but now even the 25 frames per second standard for cine film on television is about to be questioned.

The influential Society of Motion Picture and Television Engineers in the US is proposing a possible 30 fps standard, which would be fine for the US and its 60 cycle per second mains supply but chaotic for countries such as Britain which are geared to a 50 cycle field rate.

If Halley's comet is not responsible, neither is the technology which often seems to be the catalyst for change. The real engine for change—or rather upheaval as it seems at present—is value for money: providing the consumer not only with what he thinks he wants, but at a price which makes it impossible to refuse.

Three very current controversies in Britain's media business exemplify this well—the impending government decision over copyright changes and a possible levy on tapes, the furious debate over BBC financing and the fast-moving struggle to take over Thorn EMI's screen entertainment division.

The three issues may seem to have only tenuous connections, but all have important things in common. One is programmes

—their balance sheet value and what the consumer will or should pay to see them. Another is the control of distribution or exhibition. And yet another, perhaps most pertinent of all, is government policy—which potentially affects all issues, but in the case of the tape levy and Thorn EMI is being criticised for not affecting them enough.

The concern over the Thorn EMI sale of its screen entertainment division reached a crisis level for some in the industry 10 days ago when the British Screen Advisory Council—chaired by Lord Wilson—called on the Office of Fair Trading to intervene. The fear that the division's cinema chain would be bought by the Cannon group, giving it 43 per cent of all British cinema screens, unleashed furious reactions throughout the industry.

As part of the deal, Heron Communications was expected to obtain the division's catalogue of video titles—which would make them the UK market leaders in home video. The fear is that the complete deal would take more out of the industry than it would put back.

The irony and the unpublicised connection with the video-tape levy controversy is that the film industry has been pinning its hopes on a levy to put money back into production. Thorn EMI has been a trail-blazer in funding British movies, and was one of the essential sources of finance guarantee which the previous minister Mr Kenneth Baker, when responsible for films, painstakingly put together when the National Film Finance Corporation was effectively privatised by the Government. But despite that package (annually less than the budget of a minor feature film) BSAC last March called on the Government to implement a videotape levy to provide further production funding—and also to assist projects which generally benefited the industry.

The Government's political reluctance to place a tax on a popular consumer product was challenged by BSAC by point-

ing out that the average ver owner buys fewer than five blank videotapes a year; so that a proposed 90p levy would cost users only £4.50 annually for the privilege of watching all of those free movies on television.

Meanwhile, Mrs Mary Whitehouse and her National Viewers' and Listeners' Association have suggested to the Peacock Committee that BBC television should be financed by an addition to the standard rate of income tax—0.52p would do the trick they believe, eliminating the licence fee and the advertising argument, and relieving the poor of any payment at all.

What emerges is indeed a litmotif, and one which will not go away until it is recognised as central to all of these apparently disparate issues. The litmotif is not merely money, but the ever rising costs of programme production and the constantly lowering expectations of viewers in the price they believe they should pay.

Technology has been, indeed, the catalyst here. A family of five can rent a video movie for £1.50 against a bill of at least £10 for seeing it in the cinema—or, through satellite TV, may watch a pop concert free of charge if connected to the right hardware.

When some houses in Britain can be charged £200 per year in water rates, it does seem as if our priorities are shifting—with commodities that fall free from the sky costing more when they are those you cannot do without, even if they cost less to provide.

The production of moving pictures is not amenable to economies of scale as are water filtration or motor car manufacture, even though the hardware of production is getting more expensive. It is only the methods of distribution which can offer economies of scale. In the era of the consumer this is an anomaly.

Yet the ultimate appeal to free market forces—sex and violence—is now coming under government control. The industry is thus left in a dilemma: technology cannot do much to make better programmes cheaper, politicians fear any moves to make the consumer pay more, and the last bastions of quality are under attack from the cost-effective handwagon. It is a stalemate, beyond political tinkering.



Creating an embroidery design on screen



Sunday in Salamanca.

Salamanca, some 200 Km. to the West of Madrid, is not in the geographical heart of Spain.

But there you can feel the heartbeat of Spain more strongly than anywhere else.

On Sundays in the Plaza Mayor, surely one of the loveliest squares in the world, the people of this ancient city stroll in a seemingly choreographed procession, forming groups

that briefly cluster, then reassemble in different groupings. The atmosphere is a curious blend of gravity and gaiety. And this is very Spanish.

Here you will see young couples proudly displaying their children: infants in strollers, toddlers playing with bright balls, older children aware of their Sunday clothes, imitating the pose of their parents.

Here you will see old men arm in arm, talking in measured tones. And suddenly a pair of young girls on roller skates, made up as clowns, dart through and vanish, laughing, through an archway.

Musicians in medieval costumes play in a shady corner. They are medieval students, surprisingly enough. Storks fly overhead.

The late afternoon light turns golden on the Eastern side of the plaza. You and a hundred others sit observing, unwilling to leave this magical stage.

Nearby are two cathedrals. Three universities, the oldest in Spain. Monuments. Museums. But they can wait. They have waited for more than forty thousand Sundays and will wait for one more while you listen to the heartbeat of Spain.

Spain. Everything under the sun.



UK COMPANY NEWS

Norcross starts to see benefits of UBM buy

SOME OF the benefits from the £113m acquisition of UBM have already begun to come through for Norcross, the diversified industrial group, and have helped it to its best level of improvement at the halfway stage for some years.

In the six months to September 30 1985 Norcross saw taxable profits rise 31 per cent to £18.55m against £14.1m, including a contribution from UBM from last May. The latter's buildings, merchants and motor activities have been formed into a new reorganised distribution division, which accounted for most of the profit rise with a first time contribution of £3.21m.

Another highlight of the results was the performance of the engineering division, which turned a £97,000 loss last time into a profit of £1.76m. Together, engineering and distribution accounted for nearly all of the £7.2m rise in operating profits to £22.1m.

The pre-tax improvement came through as earnings of £5.6p per share (7.8p) after a £7.6m tax charge (£5.4m), and the interim dividend has been increased from 2.5p to 2.6p per share, a rise of 7.7 per cent.

Mr Ken Roberts, the chairman, said that the half year has been dominated by the integration of



Mr Ken Roberts, chairman of Norcross

UBM. Negotiations are near completion on the redevelopment of the UBM sites at Buxton and Turo, which he said would result in the sale of part of each site for retail development.

Mr Roberts also said that Norcross was purchasing sites across the country for UBM branches, and a major office/warehouse complex in Newcastle had already been acquired and will

be opened next January. In addition, terms had been agreed for the sale of a UBM motors depot and negotiations for the sale of another were well advanced.

The engineering turnaround was largely thanks to Buterley Engineering, where site reconstruction was almost complete. The subsidiary made a "nominal loss," said Mr Roberts, but is expected to break even at the year end compared with a loss of almost £3m.

Critical Tectonics, the curtain walling company in the construction division, continues to disappoint. Mr Roberts said that while a great deal of time had been spent tightening up manufacturing procedures to make it more competitive, current margins were still too low to ensure profitable trading in the short term.

Overall, he considered that the advance in sales, taxable profits and earnings per share was particularly pleasing in the light of the continuing low activity in the construction industry both at home and overseas.

He added that the remainder of the year would be one of continued consolidation, but he expected benefits to come in 1986.

In a falling sector, Norcross closed at 199p last night, up 1p. See Lex

Independent regional brewers check in with improvements all round
Greenall and Vaux rise to record levels

TWO OF Britain's big independent regional brewers checked in with record profits and both looked for further progress in the current year.

Greenall Whitley, based at Warrington, continued its advance during the second six months and for the full year to September 27 raised its profits before tax by £2.4m to £30.71m. The improvement reflected growth in all operating divisions and contributions from recent acquisitions, notably the De Vere hotels and the Celler 5 off-licences.

Holders of the limited voting ordinary shares are to receive a

previous year's £13.03m. The profits improvement through the group saw brewing rise by 9 per cent, hotels by 25 per cent and wines and spirits by 72 per cent.

The final dividend goes up to 7.32p (6.55p) for a net total of 11.06p, against last time's 10.05p.

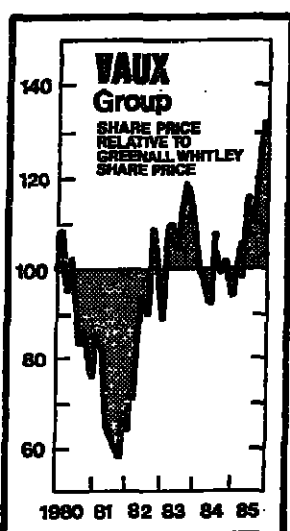
Earlier this week Wolverhampton and Dudley Breweries reported an improvement from £13.52m to £15.43m pre-tax for the year ended September 30.

The improvement reflected a rise in net margins from 14.4 per cent to 14.9 per cent.

At Greenall, the outlook is for another successful year's trading. Since the beginning of the current year hotel occupancy levels and beer sales are showing improvements.

For 1984-85 the group saw its turnover surge by 27.5 per cent to £344.3m (£286.51m) and its operating profits by 23.3 per cent to £38.21m (£30.98m).

The pre-tax result, however, rose by only 8.5 per cent after taking account of a £6.22m rise in interest charges to £10.84m arising from acquisitions—beer



The brewing activities increased their contribution from £22.64m to £23.67m in spite of the worst summer weather for many years and continuing decline in beer sales volume. The improvement was mainly due to an increased range of products and facilities.

Wend Brewery expansion in the West Midlands with the acquisition of 15 Simpkins pubs.

The hotels division showed excellent growth—profits rose by £3.92m to £9.04m—with a particularly strong performance by the De Vere hotels.

The wine and spirits opera-

tions performed well especially through the late home trade and the leisure division. Streton Automatics, with its AWP machine business and bingo halls, produced excellent results.

At Vaux, the future is viewed with considerable confidence. Shareholders are told that 1986 has started well with profit targets for the year so far being met.

In the coming year the group has major programmes of development in its hotels and pubs and expects to spend some £20m, of which around 60 per cent should be generated from cash flow and property sales.

Investment plans for 1985-86 include a £5m pub improvement programme and five more leisure centres.

Last year foreign exchange earnings from overseas visitors to Vaux's hotels and restaurants were estimated to have risen from £7.25m to £8m.

comment Greenall Whitley and Vaux are two regional brewers best engaged in the new coal of off-licences.

Both groups face increasing interest charges because of their heavy investment programmes, and with the likelihood of a further decline in their core markets ahead of them they are going to have to run hard to show quite modest improvements at the pre-tax level.

With the share prices still buoyed by the last remnants of bid, there seems little to go for in either case for now.

of margins at pubs through refurbishment, but more significantly the diversification into hotels and off-licences. A £1.4m machine business and bingo halls produced excellent results.

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Discounting hits Intl Leisure

International Leisure Group, Britain's second largest tour operator, yesterday revealed the effects of widespread and extensive discounting in a declining market in its statement for the six months to end-September 1985.

Taxable profits, after stripping out aircraft sales, have declined from £16.48m to £14.84m with margins falling by nearly two percentage points on turnover ahead from 17.93m to £19.77m.

The summer's tour operating market remained extremely competitive, says Mr Harry Goodman, the chairman, adding that a reported 10 per cent decline in the overall market occurred despite the discounting.

These factors depressed margins although the company, which operates through Air Europe and Intasun, managed to increase market share and a 10 per cent rise in carryings to a record 880,000 passengers. The group currently claims a higher 27 per cent (19 per cent) market share.

Three Boeing 737-200 aircraft were sold in April, which produced a £14.6m profit and more than doubled earnings per share from 20.3p to 43.4p. The interim dividend was unchanged at 2p, but the groups again hoped to increase the final.

Margins, says the chairman, remain under pressure although the winter 1985-86 market is more buoyant and he expects the company's volumes to increase by 30 per cent.

More significantly though the very high level of bookings being experienced and anticipated for next summer has resulted in a corresponding increase of overheads.

Together with seasonal winter losses from hotel operations, he says that second half trading losses will increase. Group taxable profits in 1984-85 were £24.54m, including an £11.18m profit from aircraft sales.

However, Mr Goodman is looking for improved results in 1986-87. Spain is now firmly back on top in holiday bookings and "everything the industry lost last year and more will come back in 1986."

Confirmed summer bookings are three times higher at 400,000 and, while brochure margins are lower, a buoyant market should reduce the level of discounting to achieve sales objectives.

Air Europe is expected to improve margins, and, profits should be further enhanced, says Mr Goodman, by the return of the Boeing 757 previously leased to British Airways.

In addition, the London and Overseas resort hotels have negotiated satisfactory increases in room rates for 1986.

The company also accompanied the interim statement with details outlining the purchase of up to four Boeing 737-300 aircraft in spring 1987 for around £68m and the sale of another 737-200 next April for £12.4m.

comment

Mr Harry Goodman seems to feel more bullish than the market about his company's prospects. Yesterday the shares closed down 2p at 103p, despite a statement claiming that International Leisure has already sold an unprecedentedly large number of holidays for next summer, that its capacity is up, and that it is not expecting much discounting on price as the season draws nearer.

The market is wisely not prepared to take all this on trust, and in the meantime is reacting to a rather disappointing first half and to shaved forecasts for the year as a whole. Margins have been badly squeezed, while one effect of the high level of early bookings for next year is to increase overheads in the second half of this year, making £9.5m pre-tax a likely outcome.

Assuming a tax charge of 35 per cent, the prospective p/e is 9. That does not seem to reflect fully the risk of a holiday price war: while the weakness of the company's balance sheet is as ever a disquieting factor.

Turnover was up 42 per cent at £49.57m, including £4.93m from Braniff's acquisition earlier in the year. Braniff made pre-tax profits of £284,000 from last January 31. The tax charge for 1985 came to £759,000 (£583,000).

Pyke closed unchanged at 400p last night, compared with a valuation of around 396p in the Hillsdown offer and a tender price of 440p from Glen.

Pyke Holdings, the catering butcher, yesterday announced a 47 per cent increase in profits to show why it has attracted the interest at Hillsdown Holdings, which has made an agreed £17m bid, and Glen International, which is seeking a 23.5 per cent stake via an unusual tender offer.

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Pyke shows its worth with 47% increase

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Minet surges 37% to £24.2m

AN IMPROVED performance in its broking sector has helped Minet Holdings to increase its pre-tax profit by 38.9 per cent from £17.87m to £24.18m in the nine months to September 30 1985.

The directors of this Lloyd's and City-based broker, which has been adversely affected from the strength of sterling, and the profits of its foreign subsidiaries, have been higher by £2m if rates of exchange ruling in 1984 had been maintained.

The underlying growth in brokerage discounting currency factors is 31 per cent, compared with an increase in operating expenses of 23 per cent.

The company is now on course for reporting a very satisfactory growth in profits for 1985, say the directors—last year's profit was £23.51m.

Turnover in the nine-month period showed a 16 per cent increase from £27.27m to £31.67m, the figure for the whole of 1984 was £26.5m.

In September, Minet acquired all outstanding shares of Osborne Post & Kurtz Inc. Post & Kurtz Inc. and Osborne Agency Inc. These three associates, based in New York and New Jersey, specialise in insurance coverage for lawyers and other professional firms in the US.

Consideration payable in three cash instalments, over two years, was approximately \$3.5m. Annual net pre-tax profits of the businesses are about \$450,000.

The rise in Minet's share price yesterday to 225p reflected more the salubrious effect of a sliding point on the insurance bro-

king sector, than any special enthusiasm over these results which tallied with City expectations. The third quarter is never Minet's best, and the year as a whole has no exception. However, the slowdown in the rate of profit growth compared to the second half was mainly due to currency factors, leaving the underlying growth in brokerage unchanged at an encouraging 31 per cent. Another strong fourth quarter could push profits for the year to £33m (unless the present chaos at Lloyd's results in renewals being postponed until next year and barring another sharp fall in the dollar).

In any event whatever the outcome, the market is not likely to pay much attention, as it is still waiting to discover the size of the damage to be inflicted by litigation over the PCW affair. Until that is known, the shares cannot hope for much of a rally.

comment

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McCarthy & Stone rises 40%

RAPID GROWTH continued at McCarthy & Stone, in the year to the end of August 1985. Pre-tax profits rose by 40 per cent to a record £9.55m, against £6.81m, on turnover up by 75 per cent from £21.64m to £37.89m.

From earnings per 20p share of 18.86p against 10.46p, adjusted for a rights issue, the directors are recommending a final dividend of 2.05p (1.61p) making a total of 2.72p (2.17p) adjusted for a rights issue.

During the year, the directors of this Hampshire-based group say, the company maintained its position as leader in the provision and management of private sheltered accommodation. Sales were 1,137 units, compared with 737 in the pre-

Calor £4m turnaround helps IC Gas profits advance 45%

A TURNAROUND of almost £3.7m in the pre-tax results for the Calor Group offshoot was the major factor behind an increase of 45 p.p. cent in the pre-tax profits of Imperial Continental Gas Association in the six months to the end of September 1985.

Last time Calor reported a loss of £2.86m but this time had profits of £286,000 on turnover up from £108.42m to £118.8m. Directors say that there were further efficiency gains and operating profits came out at £1.89m, against losses of £1.77m.

There were also improved contributions from the oil operations group and the Belgian associate ICAO and net interest costs fell by £3.4m to £4.93m, mainly as a result of the sale of CompAir during the period.

From earnings per £1 share of 5.05p, against 3.64p last time, the interim dividend is raised from 3.25p to 6.25p, reflecting the policy of reducing disparity with the final. Last year a total of 14.5p was paid from pre-tax profits of £26.05m.

The directors emphasise that the interim figures give only a limited guide to the full year because they include no contribution from Petrofina, ERES, Intercom and Unerg, which represent a major part of the group's interests in Belgium and because of the influence of winter fuel consumption.

Turnover fell from £264.5m to

£228.52m in the first half but that included £70m (£108.78m) relating to discontinued operations. Continuing operations improved to £168.52m (£156.72m). Transport Coulier (Belgium) was sold in the second half of last year and CompAir was sold to Siebe in July.

The consideration for CompAir was £58m and in addition £20m loans were repaid to IC Gas.

Trading profit from continuing operations came out at £17.28m (£15.19m) and related companies and general investments contributed £3.2m (£4.05m). The pre-tax figure was struck after allowing for a loss of £200,000 (£101,000) from discontinued operations.

The tax charge came to £8.2m (£8.04m) and with minorities taking a reduced £2.43m (£2.12m) the attributable profit came out at £5.7m, compared with £4.74m last time.

Oil operations had profits of £14.12m (£13.19m) from turnover of £40.51m (£43.68m) with miscellaneous activities contributing £2.61m (£2.07m) from £9.41m (£8.07m) turnover.

Within oil operations, production from the Maureen and Forties fields was slightly down and reduced turnover in Century Power and Light was mainly the result of the lower sterling price for oil because of the dollar's weakness. In North America expanding oil and gas production resulted in higher turnover and

pre-tax profits. Since the year end additional oil and gas producing properties have been acquired in North America for a net total of \$7.31m.

comment

The reduction in IC Gas's interest charge came as no surprise but Calor Group's first-half profit—the first for many years—was an unexpected bonus. However, in the wake of Opec's latest pronouncements on oil prices IC Gas's decision to acquire an expensive stake in T-Block, the market's congratulations were restrained and the shares managed to shed 3 to 3.12p.

The interim figures are an unreliable guide to the full-year result and this year the unpredictable relationship between oil prices, demand and exchange rates makes the outcome more than ever a matter of guess-work. On the assumption that the three factors cancel each other out and that sterling oil revenues are roughly flat, a net full-year benefit of £4.5m from the disposal of CompAir and the continuation of Calor's strongly improved performance might be expected to take net income to £6.6m at 36 p.p. cent tax charge, putting the shares on a prospective p/e ratio of 9—high for the sector but reflecting the group's non-oil interests.

ConsGold reaches agreement on sale of US interests

BY KENNETH MARSTON, MINING EDITOR

LONDON'S Consolidated Gold Fields, international mining group, has reached agreement for the sale of its US industrial interests. The buyer is a management group led by Mr Richard Secor which is to pay a total consideration of \$124m (£86.2m).

This covers the purchase of Gold Fields American Industries (GFAI) and part of the assets of the Skytop Brewster group; a previous arrangement whereby Branham Industries of Texas was to acquire the Skytop assets was not finalised.

The deal is that the management group's company, Blue Tee Acquisition, will be merged into two oil producing companies, Blue Tee and Blue Tee Corporation (Blue Tee). Gold Fields will also be given rights to receive between 25 per cent and 45 per cent of Blue Tee common shares.

Apart from the Blue Tee shares, the consideration payable will be made up of cash, convertible preferred stock of Blue Tee, a \$15m demand loan note and

the assumption by Blue Tee of liabilities in the shape of \$8m Industrial Revenue bonds.

Already \$120m has been remitted to London at an exchange rate of \$1.14 to the pound, but the deal is conditional on the completion of certain inter-company shuffling of the assets.

It is hoped that a buyer might yet be found for the Skytop assets not included in the scheme—mainly drilling rigs—and the proceeds would go to Gold Fields. The latter intends to use the proceeds of all the disposals to reduce debt.

The book value of the assets being sold is some £155m and there are past heavy losses sustained by the Skytop Brewster drilling rig manufacturer to be taken into consideration. But Gold Fields will probably be relieved to have extricated itself at last from a disastrous incursion into the US industrial scene dating back to the early 1970s.

See Lex

Anglo Nordic in agreed £7m offer for Petbow

BY CHARLES BATCHELOR

Anglo Nordic Holdings, engineering and property group, is making an agreed £7.04m takeover bid for Petbow Industries, a share in which Anglo Nordic believes will create a major new European power generation company.

The Petbow purchase will allow Anglo Nordic to add 20m of turnover to the existing £11m of business carried out by the Auto Diesels subsidiary. Petbow originally approached Anglo Nordic with a proposal to buy Auto Diesels but the deal was reversed to allow Anglo Nordic to bid for the whole of Petbow.

Anglo Nordic is already a large UK manufacturer of power generation sets. It believes that the addition of Petbow will place it ahead of two continental competitors, SDMO of France and Struver of Germany.

Anglo Nordic is strong in the field of ground power systems, equipment to provide sanitation, fuel, electric and hydraulic power to civil and military aircraft on the ground. Petbow has a Singapore plant which will be a base for Anglo Nordic in the Far East.

Petbow makes alternators while Anglo Nordic buys in its alternators.

British companies are strong in the area of power generation but the industry has come under pressure from a decline in the financial strength of its customers overseas.

Another major manufacturer

of diesel and gas turbine generating sets, Dale Electric International, recently reported a sharp fall in pre-tax profits in the year ended April 1985 from £2.16m to £544,000. Turnover declined from £38m to £36m.

Anglo Nordic is offering one of its own shares and 25p nominal of 10 per cent convertible unsecured loan stock 1989-1992 for each Petbow share.

Petbow's share rose 2p to 50p. The cash alternative is being underwritten by Standard Chartered Merchant Bank and being sub-underwritten by a group which includes F. I. Smith (Holdings), the Danish cement plant manufacturer which currently owns 51.97 per cent of Anglo Nordic.

Smith has agreed to take up the first 5m shares tendered as a result of the cash alternative in a move which could reduce its holding to 45.7 per cent of Anglo Nordic before conversion of any loan stock and to 35.6 per cent after full conversion.

Anglo Nordic's interim results for the six months ended September 1985 will show a loss though historically the seasonal pattern has resulted in improved profitability in the second half, the company said.

Petbow yesterday announced a pre-tax loss of £672,000 in the six months ended September 1985 compared with a loss of £181,000.

Consolidated Gold Fields PLC

NOTICE TO HOLDERS OF ORDINARY SHARE WARRANTS TO BEARER

NOTICE IS HEREBY GIVEN THAT AN EXTRA-ORDINARY GENERAL MEETING of the Company will be held on Friday, 27th December, 1985, at 11 a.m. at 31 Charles II Street, St. James's Square, London, S.W.1, for the purpose of considering and, if thought fit, passing the following Resolution which will be proposed as an ORDINARY RESOLUTION:-

RESOLUTION

That the arrangements for the disposal of Gold Fields American Industries, Inc. and of certain of the assets of Skytop Brewster Company and Skytop Real Estate Company, both substantially as referred to in the Circular sent to Shareholders and dated 10th December, 1985, be and the same are hereby approved.

By Order of the Board,
Mrs. G. M. A. Gledhill
Secretary

10th December, 1985

Registered Office:
31 Charles II Street,
St. James's Square,
London SW1Y 4AG.

Note:
Holders of share warrants to Bearer who wish to be present or represented at the Meeting may obtain the necessary information regarding the formalities to be complied with from the Company's Registered Office, 31 Charles II Street, St. James's Square, London SW1Y 4AG.

cent since January 1 1980.

Mr Mott also stressed that the growth had been a result of a change in the different to Beazer's fast growth by acquisition. "Our record has been generated organically without resorting to shareholders for funds or issuing significant tranches of shares to finance acquisitions. This contrasts starkly with Beazer's record."

Emphasising its own experience—and Beazer's lack of it—in international contracting the document states that in the last financial year c/y third of turnover and 47 per cent of pre-tax profit came from overseas.

in later years but company confident deal will make major contribution to profitability.

YEARLING bond interest rate for 12 1/2 per cent, down 1/4 p.p. of a percentage point from last week, and compares with 10 1/4 per cent a year ago. The bonds are issued at par and are redeemable on December 17 1986.

A full list of issues will be published in tomorrow's edition.

OPTOMETRICS (USA), the Delaware-based maker of optical components, reported pre-tax profits down 10 p.p. to \$84,000 from \$93,000 on turnover of \$1.24m (\$1.26m) in the six months to September 30 1985. Earnings per share for this company rose to 1.25p (1.1p) in January this year were 0.44 cents (0.62 cents) and as stated in the prospectus no dividend is being paid at this stage.

TOWLES, hosiery and knitwear maker, reduced taxable losses from £554,000 to £33,000 for the half year ended August 31 1985 on turnover little changed at £5.49m (£5.51m). After tax credits of £142,000 (£174,000) loss per share is shown as 8.04p (7.58p).

PICCADILLY THEATRE has announced lower pre-tax profits of £19,339 (£20,501) for the six months to March 31 1985, on turnover ahead at £125,315 (£100,757). As usual there is no interim dividend. Net earnings per share are shown as 1.25p (1.1p). In the year to end-September £116,000 of provisions made in previous years for bad and doubtful debts will be written back. Its holding company, Maybox Group, has purchased shares at 125.5p each, and now holds 848,988 (94.1 per cent). Maybox is willing to acquire at that price any further shares which may be offered.

ROBERT MAXWELL, Mirror Group publisher, has purchased 100,000 Britannia Arrow ordinary, bringing his holding to 7.61m ordinary, which, together with the 100,000 shares owned by Pergamon Press, of which Mr Maxwell is chairman, totals 7.71m ordinary (5.12 per cent).

This notice is issued in compliance with the requirements of the Council of The Stock Exchange

T.T. FINANCE PLC

(Incorporated in England No. 1929173)

Placing of £150,000,000 nominal of 11% per cent.
Guaranteed Debenture Stock 2018 at £99.706 per cent.
guaranteed by

THE THROGMORTON TRUST PLC

(Incorporated in England No. 594634)

Payable as to £40 per cent. on acceptance and
as to the balance by 28th February, 1986.

Application has been made to the Council of The Stock Exchange for the whole of the above Stock to be admitted to the Official List.

In accordance with the requirements of the Council of The Stock Exchange, £1,500,000 nominal of the Stock is available in the market on the date of publication of this notice.

Particulars of the Stock will be circulated in the External Statistical Service and copies of such particulars may be obtained from the Company's Announcements Office, The Stock Exchange, Throgmorton Street, London EC2P 2BT for two days from the date of this notice (for collection only) and, during normal business hours (Saturdays and public holidays excepted), for 14 days from the date of this notice from:

T.T. Finance PLC
Royal London House
22-25 Finsbury Square
London EC2A 1DS
11th December, 1985

Charterhouse Japhet plc
1 Paternoster Row
St. Pauls
London EC4M 7DH

Farmhouse Gordon & Co.
9 Moorfields Highway
London EC2Y 9DS

Kier hits at 'frenetic' Beazer

BY DAVID GOODHART

French Kier Holdings, the construction group subject to a £115m takeover bid from C. I. Beazer, yesterday said the Beazer offer was opportunistic and symptomatic of its frenetic quest for size.

Kier's official rejection document said the bid significantly undervalues "French Kier's name, its hard won reputation, well respected management, present value and future prospects."

The terms of the Beazer bid announced on November 24 are two ordinary shares and 65m in cash for every seven Kier shares with a cash alternative of 225p. But Kier said yesterday that it

was obvious that the bid was only made because Trafalgar House's 26 per cent holding in Kier had become available.

Mr John Mott, the Kier chairman, said: "I find it barely conceivable that Beazer would have embarked upon the acquisition of G. E. Wallis announced on November 6 had it then been contemplating the offer for Beazer."

The document spells out that over the past five years pre-tax profits have increased steadily from £3.6m to £16.4m, dividends per share have increased from 3.25p to 6.15p and the share price has increased by over 700 per

cent since January 1 1980.

Mr Mott also stressed that the growth had been a result of a change in the different to Beazer's fast growth by acquisition. "Our record has been generated organically without resorting to shareholders for funds or issuing significant tranches of shares to finance acquisitions. This contrasts starkly with Beazer's record."

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PICCADILLY THEATRE has announced lower pre-tax profits of £19,339 (£20,501) for the six months to March 31 1985, on turnover ahead at £125,315 (£100,757). As usual there is no interim dividend. Net earnings per share are shown as 1.25p (1.1p). In the year to end-September £116,000 of provisions made in previous years for bad and doubtful debts will be written back. Its holding company, Maybox Group, has purchased shares at 125.5p each, and now holds 848,988 (94.1 per cent). Maybox is willing to acquire at that price any further shares which may be offered.

ROBERT MAXWELL, Mirror Group publisher, has purchased 100,000 Britannia Arrow ordinary, bringing his holding to 7.61m ordinary, which, together with the 100,000 shares owned by Pergamon Press, of which Mr Maxwell is chairman, totals 7.71m ordinary (5.12 per cent).

This notice is issued in compliance with the requirements of the Council of The Stock Exchange

T.T. FINANCE PLC

(Incorporated in England No. 1929173)

Placing of £150,000,000 nominal of 11% per cent.
Guaranteed Debenture Stock 2018 at £99.706 per cent.
guaranteed by

THE THROGMORTON TRUST PLC

(Incorporated in England No. 594634)

Payable as to £40 per cent. on acceptance and
as to the balance by 28th February, 1986.

Application has been made to the Council of The Stock Exchange for the whole of the above Stock to be admitted to the Official List.

In accordance with the requirements of the Council of The Stock Exchange, £1,500,000 nominal of the Stock is available in the market on the date of publication of this notice.

Particulars of the Stock will be circulated in the External Statistical Service and copies of such particulars may be obtained from the Company's Announcements Office, The Stock Exchange, Throgmorton Street, London EC2P 2BT for two days from the date of this notice (for collection only) and, during normal business hours (Saturdays and public holidays excepted), for 14 days from the date of this notice from:

T.T. Finance PLC
Royal London House
22-25 Finsbury Square
London EC2A 1DS
11th December, 1985

Charterhouse Japhet plc
1 Paternoster Row
St. Pauls
London EC4M 7DH

Farmhouse Gordon & Co.
9 Moorfields Highway
London EC2Y 9DS



McLEOD RUSSEL PLC

Summary of Results for the year ended 30 September 1985

	1985 12 months to 30 September £000s	1984 18 months to 30 September £000s
Turnover	28,553	40,621 ⁽¹⁾
Profit before taxation	14,297	12,018
Dividends paid and proposed per share	7.5p	8.62p ⁽²⁾
Earnings per share	77.40p	52.45p ⁽²⁾
Earnings per share adjusted to a 12 month basis	77.40p	34.97p ⁽²⁾
Dividends paid and proposed adjusted to a 12 month basis	7.5p	5.75p

(1) Excludes related companies' turnover (2) Adjusted for the 1985 bonus issue

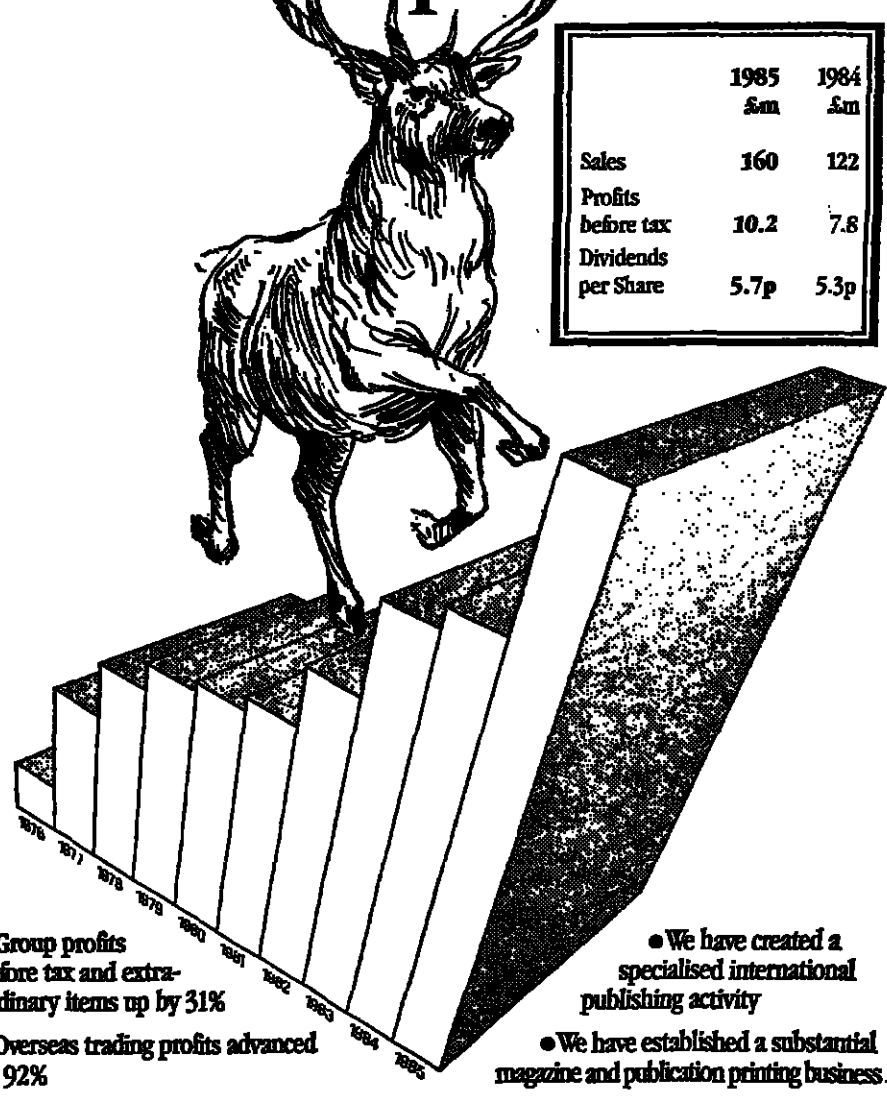
HIGHLIGHTS FROM THE REVIEW OF THE CHAIRMAN, JOHN GUTHRIE

- * Highest ever earnings
- * Ordinary dividend increased 30%
- * Future viewed with considerable confidence

Copies of the Report and Accounts are available on application from:
The Secretary, McLeod Russel PLC,
Victoria House, Vernon Place, London, WC1B 4DH.

McCORQUODALE

The ninth consecutive year of increased profit.



- Group profits before tax and extraordinary items up by 31%
- Overseas trading profits advanced by 92%
- We have created a specialised international publishing activity
- We have established a substantial magazine and publication printing business.

A profile of the typical reader of THE BANKER

The typical reader of THE BANKER is a Senior Vice President working for a commercial bank. He has responsibility for international affairs yet, despite his senior executive position, he is only 42 years old. He will have access to a computer, be responsible for selecting or purchasing technology equipment and will be involved in both personnel selection and relocation matters for his bank. As is to be expected, he is a well-travelled executive making about 13 international flights on business each year, normally first or business class, and spending 24 nights in hotels. Chances are that he will have two credit cards and regularly rents cars. For more specific details of the MORI research findings into readers of THE BANKER and the opportunities offered to you for business and profit, please contact:

The Marketing Director
THE BANKER

102-108 Clerkenwell Road, London EC1M 5SA
Tel: 01-251 9321 Telex: 23700

Meyer International INTERIM RESULTS

	6 months to 30/9/85 £000s	6 months to 30/9/84 £000s	9 months to 30/9/84 £000s
Turnover	278,528	284,052	548,824
Trading Profit	15,152	18,273	33,497
Profits on sales of tangible assets	226	325	1,533
Net interest payable	15,388	18,604	35,030
	2,173	2,545	4,792
	13,215	16,059	30,238
Share of results of related companies	6	18	84
Profit on ordinary activities before taxation	13,221	16,077	30,322
Taxation on profit on ordinary activities	4,750	6,836	10,822
Profit on ordinary activities after taxation	8,471	9,241	19,700
Extraordinary items (net of taxation)	-	273	(145)
Profit attributable to the members of the holding company	8,471	9,514	19,555
Earnings per Ordinary share	8.79p	9.59p	20.44p
Ordinary dividends - cost	1,880	1,735	5,061
Amount per Ordinary share	1.95p	1.80p	5.25p

*The figures for the year ended 31st March 1985 are an audited statement from the Group's accounts at that date which have been delivered to the Registrar of Companies. The Auditor's report on those accounts was unqualified.

The Chairman, Mr Ronald Groves, comments: As anticipated when presenting the Annual Report in July the level of activity in the construction industry has been lower than in 1984 and margins have been under pressure. Fluctuations in currency rates have been a factor in destabilising timber prices, adding to the difficulties. Conditions now appear to be more hopeful and stable and we are looking to better results in the second half year.

The acquisition from Powell Duffryn PLC of Powell Duffryn Timber Ltd. was announced in the Press in October. We are now engaged in assimilating the business into the Group and the Board is confident that it will prove a worthwhile investment. Your Directors have increased the interim dividend to 1.95p (1.80p). This will be paid on the 10th February 1986 to those members on the Register on the 10th January 1986.

Meyer International plc
Villiers House 41/47 Strand
London WC2N 5JG



UK COMPANY NEWS

Lower activity and tight margins hit Meyer Intl

LOWER LEVELS of activity and pressure on margins have resulted in reduced pre-tax profits of £13.22m for Meyer International, the UK's largest timber group.

In the six months ended September 30 1985, against £16.08m previously.

Mr Ronald Groves, the chairman, says that fluctuations in currency rates have been a factor in destabilising timber prices, adding to group's difficulties. However, conditions now appear more hopeful, he adds, and the directors are looking to better results in the second half. For 1984-85 second half year profits amounted to £14.25m (£15.81m).

A higher interim dividend of 1.5p (1.5p) is being paid, which will absorb £1.88m (£1.74m). This is well covered by stated net earnings per 25p share, which are down from 9.5p to 8.7p.

Group turnover for the half year fell from £284.05m to £278.53m, yielding trading profits of £15.15m (£18.25m).

Profits on sale of tangible

assets were £236,000 (£235,000) and net interest payable dropped from £2.55m to £2.2m. The pre-tax result was struck after a lower contribution of £6,000 (£18,000) from its related companies.

Mr Groves reports that Powell Duffryn Timber, which was acquired in October, is being assimilated into the group, and the board is confident that it will prove a worthwhile investment. Meyer paid a total of £18.65m for the acquisition.

The tax charge for the half year was down from £6.84m to £4.75m, to leave net profits of £5.47m (£9.24m). Extraordinary items last time added £273,000.

● comment

Weak demand, poor prices and adverse currency movements have not been of any help to Meyer but the second half should be better. Currencies—so far—are less volatile, demand creeping ahead and prices could show an improvement.

Full year profits could come out around £27m to £28m, or even £30m with a very mild winter, on pure trading grounds though there are a couple of wild cards in the game. At the end of last year Meyer made a £2m provision against stocks in anticipation of falling values this year. So far that move has proven over-optimistic and there might possibly be some write-back at year end. Also there are a couple of lumpy asset disposals in the pipeline which could help this year. Thoughts of a bid were receded now that Adelaide Steamship has sold most of its stake but the price still looks fair value on a prospective p/e of around 10 at 17.5p. The management has used much of the business that traditionally exposed timber groups to high peaks and low troughs in earnings and Jewson, enlarged by Powell Duffryn Timber, gives added stability. Further acquisitions to stabilise profits will be made eventually but nothing is imminent.

Comtech in loss and selling Trimoco

Combined Technologies Corporation lost nearly £3m before tax, against £4.38m, over the six months to end-September, 1985, and discloses plans to sell its Trimoco motor dealing subsidiary.

Mr James Longcroft, the chairman, says that the sale takes into account "progress made in new technology ventures and our commitment to fund Laserstore internally until completion of the present development phase."

Trimoco currently has an asset value of £14m and "its sale would provide to Comtech substantial funds, well in excess of its commitments."

All new technology operations, which include the troubled Memos subsidiary, incurred losses in the first half.

Only the automotive business made a profit, and that was down from £1.12m to £911,000 on turnover ahead from £76.53m to £86.83m. Memos, which is 58.98 per cent owned and has a separate USM quotation, lost £2.55m, against £3.62m. Additional financing is being sought from a US institutional private placement because the directors say that demand in the USM is deemed sufficient to support a public financing.

Some bridging finance may be required before the placing, and Plasmas, the optical disk manufacturing subsidiary, is negotiating a second round finance to move into full production and marketing.

Laserstore, which lost £1m compared with £49,000, may exceed its full year R & D budget of £250,000.

In addition Comtech also announced that it has repaid £915,000 in connection with the sale of Trivade Holdings to Fergabrook.

On prospects, Mr Longcroft says that the automotive side is concentrating on asset management and cost control and Memos is continuing to increase marketing focus on US automotive markets.

At last night's close Comtech's shares were languishing at 7.7p while Memos's were unchanged at 15p.

McCorquodale up 31% to £10m

THE past year for McCorquodale, printer, was one of significant achievement and progress for future growth, tempered by a major disappointment in the decision to close the printing machinery activity. Mr Alastair McCorquodale, the chairman, tells shareholders.

For the 12 months ended September 30 1985 taxable profits improved by 31 per cent from a restated £7.70m to a record £10.2m, for the company which recently called off its £12.2m bid for Richard Clay, the book printer.

Earnings per share are lower at 12.54p compared with 13.63p. The dividend is lifted from 5.4p to 5.7p net with a final distribution of 5.4p.

Group sales also advanced by 31 per cent to £160.25m (£122.33m) and with trading profits of £13.04m (£9.80m) were split on a geographical basis as to:

UK £106.25m (£83.47m) and £5.88m (£5.79m); Europe £3.34m (£2.44m) and £262,000 (£80,000); North America £31.59m (£22.18m) and £2.85m (£1.44m); South America £11.23m (£8.66m) and £2.82m (£942,000); Africa £3.77m (£4.49m) and £1.03m (£1.49m); Australia and Far East £3.51m (£3.1m) and £298,000 (£189,000).

Mr McCorquodale explains that during the year the group created a specialised international publishing activity, completed a major phase of its acquisition and investment programme to establish a substantial magazine and publication printing business, and implemented a far reaching reorganisation of the operating structure.

The chairman adds, however, that since the year end all trading activities of McCorquodale Machine Systems were terminated, and the directors making a net provision of £6.5m for the anticipated closure costs.

They blame the delay in finalising the development of its new range of equipment and the size of the resources required to market and manufacture the completed product.

Most of the mainstream UK businesses did well, the chairman says, but the overall picture was adversely affected by the

performance of Machine Systems, and by disappointing results from the colour card business in the last quarter.

The book printing companies had an excellent year and the publication and magazine printing businesses have grown successfully and have been implementing a large capital expenditure programme," Mr McCorquodale states.

Including the Machine Systems provision, extraordinary items debited £7.15m for the year (£2.3m) and after other figures including tax of £4.22m (£2.52m) there was a loss of £1.22m attributable, compared with £3.58m profits.

Comparative results have been restated to reflect the group's change in accounting policy in regard to the translation of overseas profits into sterling.

● comment

McCorquodale's profits rise of almost a third was well up to expectations although the announcement was not unambiguously. McCorquodale Machine

Systems—the business which was supposed to be designing the new generation of cheque printing machines—is closing after three years of effort leaving the group with a £7.3m hole and 100 redundancies. Machines for its own purpose will still be finished but the grandiose plans to be a supplier to world markets have stumbled over technical problems. For the present the existing cheque printing machinery is still up with the pack and the market share has been improved to around 30 per cent. But its investors may want to reserve judgment on whether that stake can be held. The extraordinary sheet but which shareholders' funds of £47m supporting net debt of under £20m, January should not see a repeat of the rights issue which featured at the beginning of the year, especially as the group is confident of a fairly strong year with the help of fast growing magazine printing. At 138p, down 5p, the p/e is 11.

McLeod Russel progresses

McLeod Russel has completed its reorganisation and has started to expand its activities both in the UK and abroad with a combination of internal growth and acquisitions.

The directors intend to expand the UK-based business and property interests and provide a fair balance between plantations, property and manufacturing.

In the 12 months to September 30 1985 the group returned pre-tax profits of £14.3m, compared with £12.02m for the previous 18 months.

A final dividend of 4.5p makes 7.5p for the year—adjusted 8.625p was paid for the 18 months.

The group has made a satisfactory start to the current year and believes its wide spread of activities will cushion it from the volatility of tea prices and provide a more stable earnings base.

Latham down at £0.4m as timber prices fall

AN "UNSATISFACTORY" level of customer demand coincided with falling timber prices "Mr E. Michael Latham, chairman of James Latham, timber merchant, reports for the six months to September 30 1985.

This reflects the general weakness in primary commodities worldwide, he adds, announcing a £630,000 fall in pre-tax profits for the period, to £408,000, on turnover down from £18.1m to £17.8m.

The interim dividend, however, is maintained at 5p net. A total of 13.25p was paid in 1984-85 when profits amounted to £1.66m (£1.65m).

Demand has improved during the autumn, the chairman says, and other factors are less adverse. The group is reasonably busy, and customers seem more optimistic.

He adds that the current level

of activity, coupled with known cost savings and margin improvements, indicates that the second half will be significantly more profitable.

Trading profits for the period fell from £1.44m to £88,000, and the pre-tax result was after higher interest charges of £375,000 against £299,000, and a reduced £105,000 (£124,000) for depreciation. Some depreciation in stock values resulted as the pound continued to strengthen against other major currencies, the chairman explains.

Net profits slumped from £388,000 to £323,000 after a lower tax charge of £83,000 (£150,000), to leave earnings per £1 share down from 33.6p to 11.3p.

The directors have decided to set aside £400,000 as a provision against unfunded pensions, the chairman states.

Borthwick held back by NZ dollar rise

FLUCTUATIONS in the value of the New Zealand dollar have outweighed a better than expected second half trading at Borthwick and Sons International food, meat and trading group, leaving it with a taxable profit of £4.7m for the year ended September 30 1985, a rise of 12 per cent.

"Had the New Zealand currency remained stable," says Mr Lewis Robertson, the chairman, "the group profit would have been very considerably higher."

The annual total dividend is held at 0.5p, but Mr Robertson said that when the situation as regards the New Zealand government's plans for sheep meat marketing had been clarified, the company would consider whether a special interim dividend was appropriate. Earnings per share for the year were 1.6p higher at 5.3p.

Group turnover moved ahead by £11m to £552.68m. At half year, the chairman predicted that progress in the second half would be modest, but as the season went on in Australia and New Zealand, it began to seem likely that the second six months would prove more favourable

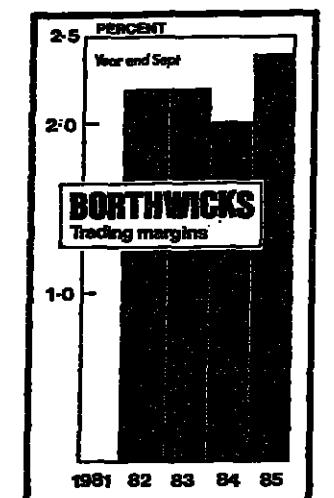
than had been expected."

However, from July the sharp and unexpected upward movement in the NZ currency brought it 20 per cent higher against the US dollar and 15 per cent up on sterling at the year end.

This revaluation coincided with a high stockholding period and continuing livestock purchase in NZ dollars, alongside sales of products in US dollars, yen and sterling, and therefore severely affected the last four months' trading in NZ meat, wool and pelts.

Summarising the year's trading, Mr Robertson said that the serious problems in Australia had been brought largely under control, and that the NZ currency difficulty masked a year of steady progress there. In the UK and France retail trading again proved difficult, although a number of policies have been pursued to contain the effects.

Wool trading, though severely affected by the NZ revaluation and market prices, finished the year in profit, while UK meat operations and Midland cattle products both felt the effect of weak markets.



● comment

Forecasting Borthwick's profits is an almost impossible task, as not only is meat trading a notoriously unpredictable business but there are also an unusually large number of external factors that can turn expectations upside down. What upset analysts' forecasts this year was a strengthening New Zealand currency, which may have reduced profits by about £2m. The latest unknown is the effect of the New Zealand Government's surprise decision to put meat trading back into the hands of the private sector. Borthwick itself has no idea what the upshot will be and has therefore chosen to maintain its tiny dividend. Meanwhile, its activities in Australia have responded to treatment and should be in profit this year, although the improvement overall will have negligible effect on the group's earnings, currently at about 180 per cent. The ever present threat of a rights issue combined with an uncertain trading outlook explains why Borthwick's is on an historic p/e ratio of 6.4 on yesterday's price of 34p.

SCAPA

Half-time highlights

- Steady progress is being made in all sectors of the Group's activities
- Half year results include earnings of United Wire Group for two months
- Interim dividend 4.0p a share (3.7p) will be paid on 17th January 1986
- Company has changed its accounting policy on exchange rates so that profits from overseas are now being translated using average rates.

Business: Manufacturers of engineered fabrics and rolls for the paper making industry, felts and other specialised industrial textiles.

Consolidated Profit Summary — for Six months to 30th September 1985 (Unaudited)				
	30 September 1985	30 September 1984	31 March 1985	31 March 1984
	£'000	£'000	£'000	£'000
Turnover by companies based in:				
United Kingdom	26,110	19,540	42,997	31,929
North America	47,916	40,612	91,921	32,324
Other Countries	19,440	11,685	32,324	168,249
	86,036	71,837	168,249	
Operating Profit:				
United Kingdom	2,249	2,046	4,998	
North America	10,017	9,618	22,365	
Other Countries	2,263	1,606	4,207	
	14,529	13,270	31,570	
Profit before taxation	13,086	11,613	27,397	
Profit after taxation	7,531	6,066	14,642	
Dividends	1,627	1,208	3,638	
Earnings per share	16.4p	18.1p	41.1p	
Dividends per share	4.0p	3.7p	11.0p	

SCAPA GROUP PLC

Oakfield House, 52 Preston New Road, Blackburn BB2 6AH.

Berkeley seeks full SE listing

Berkeley Group, private residential housebuilding and commercial property development concern quoted on the Stock Exchange Official List today with dealings expected to start next Monday.

The directors feel it appropriate that the group should seek admission in view of the fact that the entire of the Unlisted Securities Market in July 1984.

Berkeley also reveals an 84.1 per cent jump in taxable profits to £16.7m (£906,000) for the six months ended October 31 1985.

The group enjoyed a good steady demand for its homes during the half year—which is continuing—with turnover expanding by 74.9 per cent to £12.24m (£7.57m).

After tax of £667,000 (£408,000) earnings per share, on capital increased by April's rights, are stated as 3.2p (3p) while the interim dividend is lifted from 1.2p to 1.4p—last year's final payment was 2.4p.

Profits rise by 53% at Fairbairn

Fairbairn, the Surrey-based property developer which came to the market in October, reported an increase in pre-tax profits in the six months to the end of September 1985 of 53 per cent. The directors have decided to pay the expected special interim dividend of 0.75p.

Mr Remo Dipre, chairman, says that the results show a continuation of the group's healthy growth and that it is on course to achieve the forecasted profit of £2.1m.

On turnover up by 16 per cent from £11.7m to £13.6m pre-tax profits rose from £785,000 to £1.22m. The comparative figures refer to the residential development business.

Syltöne climbs by 35% at interim stage

An increase of 35 per cent from £403,000 to £545,000 in pre-tax profits is reported by Syltöne, the Bradford engineer, for the half-year to September 30 1985. The interim dividend is held at 3.6p net—last year's total was 10p from pre-tax profits of £1.36m.

Group turnover in the first half rose from £8.91m to £10.21m, and trading profits increased from £629,000 to £820,000.

Coach building activities hit profits at Plaxtons

ANOTHER set of disappointing results from the main coach building activity of Plaxtons, in the year to September 30 1985, makes it clear that the company would consider whether a special interim dividend was appropriate. Earnings per share for the year were 1.6p higher at 5.3p.

Group turnover moved ahead by £11m to £552.68m. At half year, the chairman predicted that progress in the second half would be modest, but as the season went on in Australia and New Zealand, it began to seem likely that the second six months would prove more favourable

Luxury coach service and special products activities and the year to September 30 1985, makes it clear that the company would consider whether a special interim dividend was appropriate. Earnings per share for the year were 1.6p higher at 5.3p.

Group turnover moved ahead by £11m to £552.68m. At half year, the chairman predicted that progress in the second half would be modest, but as the season went on in Australia and New Zealand, it began to seem likely that the second six months would prove more favourable

BOARD MEETINGS

TODAY	Strathclyde	Industries, Frederick Cooper, Electronic Data Processing, Flamingo Castles and Wheels, Granada, Irish Distillers, NBS Newsagents, Selekis, Tote and Lyle.
Tomorrow	Strathclyde	Industries, Frederick Cooper, Electronic Data Processing, Flamingo Castles and Wheels, Granada, Irish Distillers, NBS Newsagents, Selekis, Tote and Lyle.
Wednesday	Strathclyde	Industries, Frederick Cooper, Electronic Data Processing, Flamingo Castles and Wheels, Granada, Irish Distillers, NBS Newsagents, Selekis, Tote and Lyle.
Thursday	Strathclyde	Industries, Frederick Cooper, Electronic Data Processing, Flamingo Castles and Wheels, Granada, Irish Distillers, NBS Newsagents, Selekis, Tote and Lyle.
Friday	Strathclyde	Industries, Frederick Cooper, Electronic Data Processing, Flamingo Castles and Wheels, Granada, Irish Distillers, NBS Newsagents, Selekis, Tote and Lyle.

THE MORTGAGE BANK AND FINANCIAL ADMINISTRATION AGENCY OF THE KINGDOM OF DENMARK
(Kongeliget Danmarks Hypothekbank og Finansforvaltning)

U.S.\$80,000,000
Guaranteed Floating Rate due 1990, Series 84
Unconditionally guaranteed by
The Kingdom of Denmark

Notice is hereby given that the Rate of Interest has been fixed at 8 1/4% and that the interest payable on the relevant Interest Payment Date June 11, 1986 against Coupon No. 6 in respect of US\$10,000 nominal of the Notes will be US\$429.72.

December 11, 1985, London
By: Citibank, N.A. (CSSL Dept), Agent Bank **CITIBANK**

Record results for 17th successive year



- © Vaux Group pre-tax profits up £1.7 million to £14.7 million — continuing the pattern of successive increases every year since 1968.
- © Final ordinary dividend increased by 10% to 7.32p per share.
- © Earnings per share have improved 77% over the last 5 years, and 248% over the last 10.
- © Improved profits throughout the Vaux Group — Brewing up 9%, Hotels up 29% and Wines and Spirits up 72% in 1985.
- © Over £5 million being invested in pub improvements in 1986.
- © Blayneys — with 133 off-licence shops (double last year's number) — now largest in North East.
- © Occupancy rates have improved from 59.3% to 61.4% with improvement in achieved average room rate of 14%.
- © New £5 million 122-bed hotel at Northampton started — due for completion September 1986.

Copies of the Report and Accounts will be available after 10th December 1985 from The Secretary, Vaux Group plc, The Brewery, Sunderland SR1 3AN.



Vaux Group plc

HARGREAVES GROUP

Interim Results

	Half-years to 30th September 1985	1984	Year to 31st March 1985
	£'000	£'000	£'000
Turnover	146,819	117,338	397,754
Profit before tax	4,477	2,822	7,102
Attributable profits after tax	2,292	1,934	3,467
Earnings per share	7.1p	5.5p	9.8p

- Profit up 59%
- Interim dividend up 20% to 2.4p
- Significant profit increases from all parts of business
- The second half of year has started well and Group is confident that profits for full year will exceed those of 1984/85
- Turnover up 25%
- Earnings rise to 7.1p



Energy:
Solid and Liquid Fuel Processing and Distribution and Fuel Products.

Environment and Construction Materials:
Quarrying and Construction Materials, Waste Disposal.

Copies of the Interim Report are available from The Secretary, Hargreaves Group plc, Bowditch Hall, Bramham, Wetherby, West Yorkshire LS23 6LP.

UK COMPANIES

Nottingham Brick

increases market share and profits

INCREASED MARKET share at Nottingham Brick in the year to September 30 1985 helped it lift profits by 98 per cent from £1.78m to £2.43m. Turnover rose 21 per cent from £8.85m to £10.76m.

The group says that it achieved the highest turnover and pre-tax profit in its history and it made and sold a record number of bricks at just under 92m.

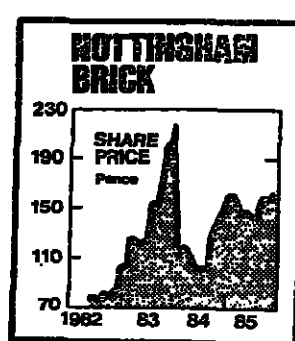
Earnings per share in the period rose from 10.76p to 13.76p, adjusted to reflect the rights issue in December 1984. The group expects to increase production further next summer when the fourth kiln on schedule at its Nottingham factory is completed. In addition, it says that land adjacent to the factory has been purchased with further substantial clay reserves which means that raw material is available for the next 50 years.

Production and sales at the Malby factory were satisfactory for the year, the group says. However, there was a shortfall on the budgeted annual production at Thurston, but overall performance at the factory has now improved.

A save-as-you-earn share option scheme is proposed for eligible employees. The board says the recent high levels of trading have continued in the first two months of this financial year. And with the widening range of bricks on offer at competitive prices and the increased production available in the summer it is confident of continuing to achieve increased market penetration.

comment

The post-Hanson brick work is turning out to be not all that



uncomfortable; how else explain Nottingham's record brick production and increase in pre-tax profits and its one point increase in trading margin. The fears that Hanson would set prices from a monopoly position to the detriment of its competitors is proving far from the truth. Indeed, the more Hanson raises prices and cuts capacity, the greater the opportunity for the makers of facing bricks such as Nottingham, while the influence of Hanson has caused companies to look more closely at their clay-pit assets as potential rubbish-dumps for local authorities or even as sources of methane for the kilns. Capacity increases should produce a double-figure percentage improvement at the pre-tax level this year even without a better margin—and that seems very much on the cards. In a broad market for the shares, the prospects would hardly be discounted by a historic 5.5 per cent yield and price/earnings ratio of 11.5 at 165p. But since Nottingham is producing at capacity, it will obviously need new capital to take advantage of the post-Hanson opportunities.

Chancery to become first merchant bank on USM

By RICHARD TOMKINS

Chancery Securities is to become the first merchant bank to come to the USM. Brokers Paul E. Schneider, Miller are placing £2m of shares at 65p a share, giving it a market capitalisation of £8.6m.

The company is a London-based licensed deposit taker and dealer in securities. Some 73 per cent of pre-tax profit came from banking services, 15 per cent from finance broking and 12 per cent from corporate and financial services.

Chancery was founded in 1977 by Mr Harvey Cohen, chairman and chief executive, and three other chartered accountants. It began as a financier, financial consultant and licensed dealer in securities, and became a licensed deposit taker in 1981.

Last year it acquired Duboff, a banking business, but the same premises by the same management. The principal business of the banking services arm is granting of secured overdrafts. The finance broking arm provides services mainly to the property sector.

The corporate and financial services arm is largely engaged in arranging the sale of leased equipment and industrial building. It also sponsors new issues under the business expansion scheme.

Pre-tax profits have risen since the company's first year to £271,000. For the current year the directors are forecasting profits of £1.1m, putting the shares on a prospective p/e ratio of 9.75 on an actual tax charge basis.

No director of Chancery is selling any shares in the placing and the net proceeds of about £1.5m will be used to expand the company's banking services.

The company's shareholders' funds of £2.1m will enable it to make larger advances within its present policy of not allowing any one advance to exceed 10 per cent of shareholders' funds. Maximum gearing is set at five to one.

The additional funds will also allow the company to grant advances to be extended to five years, so widening the spectrum of possible customers.

Morcean jumps by 95% to over £3m

Another big jump in profits is reported by Morcean Holdings, specialist fire protection group. In the year ending September 30 1985 its rose 95 per cent before tax from £1.58m to £3.07m, just beating the 93 per cent rise in interim profits from £2.77m to £5.2m.

Turnover was up 22 per cent from £10.71m to £13.13m. A final dividend of 2.5p per share is being recommended, making 3.7p for the year, compared with 1.2p last year when the group gained a full Stock Exchange listing in the February.

UK operations accounted for 57.4m of total turnover and the figure rose 21 per cent higher than last year. The growing use of steel structures continues to boost the need for passive fire protection and related systems, the group says. Aberdeen office, established a year ago, has made significant penetration into the petrochemical and offshore market and has received several orders.

In the commercial sector, orders won included work on the Hays Wharf development and for the Daily Telegraph building.

Management recruitments have been made to help with the growth in domestic activity. The group says its major contract in the Far East work on the Hong Kong and Shingaling Bank Corporation building, will continue well into next year. Inquiries have been received for work in Hong Kong, Taiwan, the Philippines and China.

In the medium term Morcean is implementing plans to exploit opportunities in China, Taiwan and Scandinavia. It is continuing to base its strategy on establishing a strong local presence in markets in which it operates.

RFD set for year end profit rise

As indicated in his annual review, Mr A. G. MacPherson, chairman of RFD Group, says the current year is showing a steady continuation of last year's trends with pre-tax profits up from £12.0m to £26.0m, or 116 per cent, and the year ending September 30 1985.

For the year as a whole the company is looking for an improvement over last year's £1.92m.

After tax of £288,000 (£258,000) earnings per share are shown as 2.75p (1.78p) while the interim dividend is lifted 10 per cent to 1.12p (1.015p). Last year's final profit was 2.71p.

Group turnover amounted to £13.36m for the six months, against a previous £20.59m (with cost of sales taking £15m (£16.18m)).

The directors explain that turnover includes £263,000 (£2.53m) in respect of estimated sales value for work performed on long-term contracts not yet invoiced.

Trading profits were 42 per cent higher at £1.01m (£708,000), but the taxable result was after higher interest charges of £342,000 (£197,000).

Mr MacPherson says the textile division continued to perform well with further increases in both sales and profits, while the safety and survival division showed a good recovery. The cable components sector is again facing more difficult trading conditions in its traditional tape business, although its new compounds continue to make progress.

The chairman says that in the defence equipment sector the slowdown in Ministry of Defence parachute business continues, affecting current profitability, while elsewhere in this division, useful progress was made towards building an order book for weapons training systems.

هكزان الكحل

Svenska Handelsbanken

US\$ 100,000,000 12½% Notes 1989

NOTICE IS HEREBY GIVEN that pursuant to Condition 4(b) of the Notes, US\$ 25,000,000 principal amount of the Notes has been drawn for redemption on 10th January 1986, at the redemption price of 101% of the principal amount, together with accrued interest to 10th January 1986.

The serial numbers of the Notes drawn for redemption are as follows:—

2	587	1155	1842	2449	3170	3785	4344	4974	5627	6315	6968	7567	8244	8871	9566	10233	10867	11512	12217	12872	13493	14135	14849	15490	16133	16799	17483	18124	18773	19414
3	591	1157	1843	2449	3172	3787	4344	4974	5627	6317	6967	7579	8255	8878	9568	10234	10868	11513	12218	12873	13494	14136	14850	15491	16134	16800	17484	18125	18777	19415
4	592	1158	1844	2450	3171	3786	4345	4975	5628	6316	6973	7581	8251	8882	9568	10234	10869	11513	12218	12873	13494	14136	14854	15494	16138	16801	17488	18126	18778	19416
5	593	1159	1845	2451	3172	3787	4346	4976	5629	6317	6973	7582	8252	8883	9576	10262	10868	11516	12222	12883	13501	14141	14855	15495	16131	16816	17491	18139	18781	19429
6	594	1160	1846	2452	3173	3788	4347	4977	5630	6318	6973	7582	8252	8883	9576	10262	10868	11516	12222	12883	13501	14141	14855	15495	16131	16816	17491	18139	18781	19429
7	595	1161	1847	2453	3174	3789	4348	4978	5631	6319	6973	7582	8252	8883	9576	10262	10868	11516	12222	12883	13501	14141	14855	15495	16131	16816	17491	18139	18781	19429
8	596	1162	1848	2454	3175	3790	4349	4979	5632	6320	6973	7582	8252	8883	9576	10262	10868	11516	12222	12883	13501	14141	14855	15495	16131	16816	17491	18139	18781	19429
9	597	1163	1849	2455	3176	3791	4350	4980	5633	6321	6973	7582	8252	8883	9576	10262	10868	11516	12222	12883	13501	14141	14855	15495	16131	16816	17491	18139	18781	19429
10	598	1164	1850	2456	3177	3792	4351	4981	5634	6322	6973	7582	8252	8883	9576	10262	10868	11516	12222	12883	13501	14141	14855	15495	16131	16816	17491	18139	18781	19429
11	599	1165	1851	2457	3178	3793	4352	4982	5635	6323	6973	7582	8252	8883	9576	10262	10868	11516	12222	12883	13501	14141	14855	15495	16131	16816	17491	18139	18781	19429
12	600	1166	1852	2458	3179	3794	4353	4983	5636	6324	6973	7582	8252	8883	9576	10262	10868	11516	12222	12883	13501	14141	14855	15495	16131	16816	17491	18139	18781	19429
13	601	1167	1853	2459	3180	3795	4354	4984	5637	6325	6973	7582	8252	8883	9576	10262	10868	11516	12222	12883	13501	14141	14855	15495	16131	16816	17491	18139	18781	19429
14	602	1168	1854	2460	3181	3796	4355	4985	5638	6326	6973	7582	8252	8883	9576	10262	10868	11516	12222	12883	13501	14141	14855	15495	16131	16816	17491	18139	18781	19429
15	603	1169	1855	2461	3182	3797	4356	4986	5639	6327	6973	7582	8252	8883	9576	10262	10868	11516	12222	12883	13501	14141	14855	15495	16131	16816	17491	18139	18781	19429
16	604	1170	1856	2462	3183	3798	4357	4987	5640	6328	6973	7582	8252	8883	9576	10262	10868	11516	12222	12883	13501	14141	14855	15495	16131	16816	17491	18139	18781	19429
17	605	1171	1857	2463	3184	3799	4358	4988	5641	6329	6973	7582	8252	8883	9576	10262	10868	11516	12222	12883	13501	14141	14855	15495	16131	16816	17491	18139	18781	19429
18	606	1172	1858	2464	3185	3800	4359	4989	5642	6330	6973	7582	8252	8883	9576	10262	10868	11516	12222	12883	13501	14141	14855	15495	16131	16816	17491	18139	18781	19429
19	607	1173	1859	2465	3186	3801	4360	4990	5643	6331	6973	7582	8252	8883	9576	10262	10868	11516	12222	12883	13501	14141	14855	15495	16131	16816	17491	18139	18781	19429
20	608	1174	1860	2466	3187	3802	4361	4991	5644	6332	6973	7582	8252	8883	9576	10262	10868	11516	12222	12883	13501	14141	14855	15495	16131	16816	17491	18139	18781	19429
21	609	1175	1861	2467	3188	3803	4362	4992	5645	6333	6973	7582	8252	8883	9576	10262	10868	11516	12222	12883	13501	14141	14855	15495	16131	16816	17491	18139	18781	19429
22	610	1176	1862	2468	3189	3804	4363	4993	5646	6334	6973	7582	8252	8883	9576	10262	10868	11516	12222	12883	13501	14141	14855	15495	16131	16816	17491	18139	18781	19429
23	611	1177	1863	2469	3190	3805	4364	4994	5647	6335	6973	7582	8252	8883	9576	10262	10868	11516	12222	12883	13501	14141	14855	15495	16131	16816	17491	18139	18781	19429
24	612	1178	1864	2470	3191	3806	4365	4995	5648	6336	6973	7582	8252	8883	9576	10262	10868	11516	12222	12883	13501	14141	14855	15495	16131	16816	17491	18139	18781	19429
25	613	1179	1865	2471	3192	3807	4366	4996	5649	6337	6973	7582	8252	8883	9576	10262	10868	11516	12222	12883	13501	14141	14855	15495	16131	16816	17491	18139	18781	19429
26	614	1180	1866	2472	3193	3808	4367	4997	5650	6338	6973	7582	8252	8883	9576	10262	10868	11516	12222	12883	13501	14141	14855	15495	16131	16816	17491	18139	18781	19429
27	615	1181	1867	2473	3194	3809	4368	4998	5651	6339	6973	7582	8252	8883	9576	10262	10868	11516	12222	12883	13501	14141	14855	15495	16131	16816	17491	18139	18781	19429
28	616	1182	1868	2474	3195	3810	4369	4999	5652	6340	6973	7582	8252	8883	9576	10262	10868	11516	12222	12883	13501	14141	14855	15495	16131	16816	17491	18139	18781	19429
29	617	1183	1869	2475	3196	3811	4370	5000	5653	6341	6973	7582	8252	8883	9576	10262	10868	11516	12222	12883	13501	14141	14855	15495	16131	16816	17491	18139	18781	19429
30	618	1184	1870	2476	3197	3812	4371	5001	5654	6342	6973	7582	8252	8883	9576	10262	10868	11516	12222	12883	13501	14141	14855	15495	16131	16816	17491	18139	18781	19429
31	619	1185	1871	2477	3198	3813	4372	5002	5655	6343	6973	7582	8252	8883	9576	10262	10868	11516	12222	12883	13501	14141	14855	15495	16131	16816	17491	18139	18781	19429
32	620	1186	1872	2478	3199	3814	4373	5003	5656	6344	6973	7582	8252	8883	9576	10262	10868	11516	12222	12883	13501	14141	14855	15495	16131	16816	17491	18139	18781	19429
33	621	1187	1873	2479	3200	3815	4374	5004	5657	6345	6973	7582	8252	8883	9576	10262	10868	11516	12222	12883	13501	14141	14855	15495	16131	16816	17491	18139	18781	19429
34	622	1188	1874	2480	3201	3816	4375	5005	5658	6346	6973	7582	8252	8883	9576	10262	10868	11516	12222	12883	13501	14141	14855	15495	16131	16816	17491	18139	18781	19429
35	623	1189	1875	2481	3202	3817	4376	5006	5659	6347	6973	7582	8252	8883	9576	10262	10868	11516	12222	12883	13501	14141	14855	15495	16131	16816	17491	18139	18781	19429
36	624	1190	1876	2482	3203	3818	4377	5007	5660	6348	6973	7582	8252	8883	9576	10262	10868	11516	12222	12883	13501	14141	14855	15495	16131	16816	17491	18139	18781	19429
37	625	1191	1877	2483	3204	3819	4378	5008	5661	6349	6973	7582	8252	8883	9576	10262	10868	11516	12222	12883	13501	14141	14855	15495	16131	16816	17491	18139	18781	19429
38	626	1192	1878	2484	3205	3820	4379	5009	5662	6350	6973	7582	8252	8883	9576	10262	10868	11516	12222	12883	13501	14141	14855	15495	16131	16816	17491	18139	18781	19429
39	627	1193	1879	2485	3206	3821	4380	5010	5663	6351	6973	7582	8252	8883	9576	10262	10868	11516	12222	12883	13501	14141	14855	15495	16131	16816	17491	18139	18781	19429
40	628	1194	1880	2486	3207	3822	4381	5011	5664	6352	6973	7582	8252	8883	9576	10262	10868	11516	12222	12883	13501	14141	14855	15495	16131	16816	17491	18139	18781	19429
41	629	1195	1881	2487	3208	3823	4382	5012	5665	6353	6973	7582	8252	8883	9576	10262	10868	11516	12222	12883	13501	14141	14855	15495	16131	16816	17491	18139	18781	19429
42	630	1196	1882	2488	3209	3824	4383	5013	5666	6354	6973	7582	8252	8883	9576	10262	10868	11516	12222	12883	13501	14141	14855	15495	16131	16816	17491	18139	18781	19429
43	631	1197	1883	2489	3210	3825	4384	5014	5667	6355	6973	7582	8252	8883	9576	10262	10868	11516	12222	12883	13501	14141	14855	15495	16131	16816	17491	18139	18781	19429

Company Notices

SELECTED RISK INVESTMENTS

Société Anonyme
Registered Office: 10 Boulevard Roosevelt
Rue de la Loi 408
L-1010 Luxembourg
R.C. Luxembourg 8.6317

NOTICE OF EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

An Extraordinary General Meeting of shareholders of Société Anonyme, at 11 a.m. on 19th December 1985, for the purpose of considering and voting upon the following matters:

Agenda

- To resolve that the Company's name is changed to MERCURY SELECTED TRUST
- To resolve that the Company is converted into Société d'Investment à Capital Variable (SICAV)
- To resolve that the Company's purpose and structure is changed to convert it to an investment company capable of holding separate classes of shares each class to be linked to a separate portfolio of investments designated by reference to its particular area or type of investment, and to provide for the conversion of shares of one class into shares of another class.
- To resolve that the Company's life is extended so that it expires on 12th December 2015.
- To resolve that the Articles of Association are adopted to give effect to the foregoing resolutions and to make other changes.
- To resolve that the foregoing resolutions will come into effect three months after the date on which the present notice is published or on such earlier date as a new prospectus of the Company is issued in accordance with the law.
- To confirm the appointment in accordance with Article 3 of the Statutes of the Company of Mr. Peter Stammers as Director of the Company.
- To increase the Directors' remuneration.
- To amend the Articles of Association and to give effect to the changes to the Articles of Association which are set out in the attached draft resolutions.

Resolutions numbered 1 to 9 on the Agenda require a majority of two-thirds of the votes of the shareholders present at the Meeting. Resolutions numbered 10 to 11 on the Agenda require a simple majority. There is no minimum quorum for the Meeting. The quorum for these resolutions may be passed irrespective of the proportion of the Company's issued shares represented at the Meeting.

Voting arrangements

In order to vote at the Meeting:

- The holder of shares must deposit his shares not later than 13th December 1985 at the registered office of the Company, with a valid instrument of transfer acceptable to the Company, and the relative deposit certificate, which must be forwarded to the Company by the holder of the shares not later than 17th December 1985. The shares so deposited will remain blocked until the Meeting.
- The holders of registered shares need not deposit their certificates but must be present at the Meeting or be represented by a duly authorised person who cannot attend the Meeting in person are invited to appoint a proxy to attend the Meeting on their behalf. The proxy must be signed by the shareholder and must be deposited with the Company not later than 13th December 1985. The proxy must be signed by the shareholder and must be deposited with the Company not later than 13th December 1985. The proxy must be signed by the shareholder and must be deposited with the Company not later than 13th December 1985.

Information for shareholders and the Board of Directors to Shareholders:

- Shareholders are advised that the Board of Directors to Shareholders is a body of persons who are appointed by the shareholders of the Company to manage the Company's affairs and to exercise the powers conferred on them by the Articles of Association and the Statutes of the Company.
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UK COMPANY NEWS

Alan Pike on a survey which found ignorance and complacency among managers over training
Taking training out of the closet into the boardroom

Bryan Nicholson: condemned UK record as lousy

MR BRYAN NICHOLSON, chairman of the Manpower Services Commission, told a conference audience last week that during 30 years in a business career he had come to respect and admire the quality of management in the UK.

"But its record of training for adult employees is, not to put too fine a point on it, lousy."

The word lousy does not appear in a report on UK management's attitude towards investment in training produced yesterday for Mr Nicholson's MSC and the National Economic Development Office. It speaks, in a style more in the tradition of such documents, of uphill tasks, complacency and widespread ignorance.

Things will alter only when there is a major change of attitude among employees

The message, not to put too fine a point on it, is the same.

For several years, the Government, MSC and NEDO have been seeking ways of elevating industrial training to the importance which it enjoys in competitor countries like West Germany, the US and Japan.

The evidence is well catalogued. UK companies, according to another recent MSC survey, spend an average of 0.15 per cent of their sales turnover on adult training—£200 a year per employee. Expenditure of 2 or 3 per cent is common in many overseas competitors.

The new report, prepared by Coopers and Lybrand Associates, management consultants, concludes, like others before it, that things will improve only when there is a major change of attitude among UK employers.

This is where the uphill struggle begins. Few employees, the report demonstrates, regard training as a main component in corporate strategy.

Most of those interviewed agreed that Britain underperforms compared with its main competitors. But they believed the amount of training they themselves did was about right.

This lack of concern, say the

researchers, might reflect confidence. "We think it would be more realistic to regard it as reflecting complacency."

The report makes a series of recommendations aimed at improving the UK's training performance. At least as valuable, however, is the description it provides of attitudes towards training among senior managers.

Ignorance among them about how their company's training performance compared with that of competitors, either in the UK or overseas, was widespread. Indeed, a high proportion of senior executives had only a limited knowledge of what resources were devoted to training in their own companies.

In most companies, with the exception of some in the service sector which rely heavily on customer-staff contact, training was not seen as a prime contributor to competitiveness.

The report reinforces previous research studies in highlighting wide differences between what UK managers say about training and what they actually do. Almost all the companies interviewed claimed at the outset that training was very important to them. But in the majority it was not treated as a matter requiring attention at board level.

"About half the companies we contacted explained that there would be little point in our talking to the chief executive as he was not involved," says the report.

The picture is one of training being delegated, or relegated, to comparatively low-status departments and managers. While

costs or their firm's training should not be made known to the board because, if it were, the board might wish to reduce it—a comment which speaks volumes about the perceived attitudes of top managers to training.

In the view of the researchers, factors like fear of trained employees being poached by other companies and high training wage rates have relatively little influence on training decisions. They were quoted to reinforce already negative attitudes to training, and it was doubtful whether chances in such factors would produce a corresponding change in behaviour towards training in British companies.

The report suggests that capital expenditure on training should qualify for tax relief in the year of expenditure. But beyond this the use of tax incentives to encourage a higher volume of training "is by no means as feasible as it might first appear," because training costs, other than capital expenditure, are already an allowable deduction in arriving at taxable profits.

It will not be easy, the report says, to persuade UK employers to invest more in training. But managers will, the authors hope, be willing to invest funds if they are convinced that they can get better performance from a given level of expenditure. One of the key initial aims is to make training a board-level issue.

Some of the proposals which the report makes are of a public relations variety, designed to encourage or embarrass senior managers into taking training more seriously—a Queen's Award for Training and a proposal that companies should be required to detail training activities in their annual reports.

But the report recognises that employers have to be more involved than this. It wants an enhanced grant-based programme to encourage greater activity in adult training, similar to the financial incentives which companies receive for running the Youth Training Scheme.

YTS demonstrates that it is possible to generate action on training, although the research finds that many companies have taken part out of a sense of social responsibility, or to avoid adverse public comment, rather than from a belief that the scheme is good for business.

Many of the improvements called for in the report would come at local labour market level. It repeats demands for improved links between employers and colleges, and stresses the need for employer-led local bodies which would monitor training activity, collect information about local training needs, organise skill testing and distribute some MSC grants.

In West Germany much of this work is carried out by chambers of commerce. Under

One of the key initial aims is to turn training into a board-level issue

The Job Training Partnership Act in the US a network of private industry councils has been set up in the past two years. The councils distribute funds to the local and unemployed workers and are involved in assessing local skill and training requirements. There may be a model here, suggests the report, for the UK to adopt.

"We are convinced that for a network of local bodies to exert effective pressure on employers, the bodies must be employer-led."

Another idea borrowed from the US which the report believes should be examined for possible introduction in the UK is the individual training credit (known in the US as the individual training account).

It would operate like an occupational pension scheme, with employers and employees each contributing funds which could be cashed in as training for the individual.

In the US, employees can use the credits only if they become redundant. The report envisages a more extensive scheme in the UK. A national, statutory Individual Training Credit system, it suggests, would be the most effective course for the Government to take if appeals for voluntary endeavour fail and legislation is needed to force UK employers to take training more seriously.

A Challenge to Complacency, Manpower Services Commission, Moorfoot, Sheffield S1 4PQ; £2.50.

Contracts and Tenders

Thames Water

MOGDEN POWER HOUSE REHABILITATION
SCHEME NO. 5992
NOTICE OF PREQUALIFICATION TO TENDER
FOR PRINCIPAL PLANT CONTRACTOR

The Thames Water Authority of the United Kingdom plans to invite tenders early in 1986 from pre-qualified principal plant contractors for the rehabilitation of the power house plant at Mogden Sewage Works, Isleworth, Middlesex. The tenders will call for the detailed design, supply, erection and commissioning of new machines and equipment, and the modification or removal of other existing machines and equipment. The Contract is to include the supply and installation of four x 2 MW dual fuel engine driven AC generators, with waste heat recovery boilers, two auxiliary gas/oil fired hot water boilers and six x 850 kW AC motor driven centrifugal type low pressure air blowers and ancillary plant. All plant is to be arranged for automatic control and monitoring. The Contract shall include the conversion of some retained items of plant from manual to automatic control, the replacement of some existing heat recovery and cooling tanks and pipework systems and the removal of redundant plant.

The Contractor will be required to co-ordinate with a separately appointed Civil Engineering Contractor. The Plant Contractor may if he wishes, seek the opportunity of tendering for the Civil Works element of the scheme.

The existing electrical power generation and standby supply is D.C. The Contract shall include a staged conversion of the electrical plant in the power house complex from D.C. to A.C.

Contractors who have extensive experience in similar works and who wish to pre-qualify to tender

for the Contract should submit their applications to tender to reach the Thames Water Authority Contract and Services Group by early January 1986. Principal plant contractors may include manufacturers of major items of plant suitable for this project. Pre-qualification is restricted to Contractors domiciled in the European Economic Community.

All applications to pre-qualify must be made in pre-qualification application documents which have been prepared for the Thames Water Authority and may be obtained, on payment of a non refundable fee of £30 to the Thames Water Authority, at the address given below. Such applications should be clearly endorsed "Request for Pre-qualification Application Documents, Mogden Power House Rehabilitation, Scheme No. 5992."

The pre-qualification application documents, which include a description of the Contract, will be available during December 1985. Completed applications to pre-qualify should be returned by 13th February 1986. Thames Water Authority do not bind themselves to accept all or any application for inclusion on the restricted list nor to give reasons for rejection.

Thames Water Authority do not bind themselves to accept the lowest or any tender and will not be responsible for any costs incurred in visiting the site or in preparation of tenders or in preparation of submissions to pre-qualify to tender.

Tender Pre-qualification Documents are obtainable from:

Thames Water, Technology and Development,
Contracts and Services Manager,
Nugent House, Vastern Road, Reading, Berkshire, RG1 8DB.



RUNNING WATER FOR YOU

SYRIAN ARAB REPUBLIC

ETABLISSEMENT PUBLIC DES EAUX DE HIGEH
DAMASCUS WATER SUPPLY ESTABLISHMENT
El Nasser Street, Damascus, Syria

NOTICE No. 9027

PREQUALIFICATION FOR THE PROVISION OF AN
AUTOMATIC TELEPHONE NETWORK

The Etablissement Public des Eaux de Hige, Damascus Water Supply Establishment, hereby invites applications from firms specialised in Private Automatic Telephone Branch Exchange Networks for the supply, installation and handing over on turn-key basis of a private telephone network which serves all the Establishment stations and centres in Greater Damascus.

It is anticipated that the foreign currency component of the Project's cost would be provided through a loan from AFSD. The Arab Fund for Economic and Social Development (AFSD) is the financing institution for the Project.

Prequalification questionnaires may be obtained by application in writing or by fax to:

Major Projects Division
Etablissement Public des Eaux de Hige
El Nasser Street
Damascus, SYRIA
Telex No. 41512 SY. FIGDAM

Completed forms and attachments must reach EPEF at the above address not later than 15 February 1986.

Following the evaluation of submissions, EPEF will indicate the firms that will be invited to participate in tendering and to which the bidding documents will be eventually forwarded.

Engineer Rida MOURTADA
President/Director General

ARAB ENGINEERING

INDUSTRIES COMPANY

IRON FOUNDRY PROJECT
JORDANGENERAL PROCUREMENT
NOTICE

The Arab Engineering Industries Company is planning to build a new iron foundry with an initial production capacity of 10000 tonnes per annum. Products will include pipe fittings in ductile and malleable iron as well as general engineering castings in both grey and ductile iron.

All the necessary plant and equipment to provide a fully operable foundry will be purchased through international competitive bidding. Manufacturers will be expected to bid for the supply and erection of equipment in the form of complete packages.

THESE PACKAGES WILL COMPRISE:-
1. Stockyard and Melting.
2. Greensand Moulding and Sand Plant (High Pressure).

GENERAL MANAGER
ENG. ALI OBEIDAT

Arab Engineering Industries Company, P.O. Box 141101, Tel. 819101, Tel. 23870, Amman, Jordan.

Company Notices

GOLD FIELDS GROUP

DECLARATION OF DIVIDENDS AND CAPITAL REPAYMENT

The following interim dividends/capital repayment have been declared in South African currency, payable to members registered in the books of the companies concerned at the close of business on 24 December 1985:

Name of Company (All companies are incorporated in the Republic of South Africa)	Dividend No.	Capital Repayment per share (cents)	Amount
Debswana Gold Mining Company Limited (Registration No. 74/00160/06)	5	30	110
Debswana Gold Mining Company Limited (Registration No. 75/24700/06)	25	145	145
Debswana Consolidated Limited (Registration No. 84/04880/06)	32	55	55
Koof Gold Mining Company Limited (Registration No. 85/00052/06)	30	770	770
Libanor Gold Mining Company Limited (Registration No. 85/06632/06)	31	50	50
Vanariapost Gold Mining Company Limited (Registration No. 85/06632/06)	31	15	15

Capital repayment in kind of dividend Warrants will be issued on or about 11 February 1986. Standard conditions relating to the payment of dividends and conditions relating to the capital repayment are obtainable at the share transfer offices and the London Office of the companies. Requests for payment of the dividends or the repayment of capital in South African currency by members on the United Kingdom registers must be received by the companies concerned on or before 24 December 1985 in accordance with the above-mentioned conditions.

The registers of members of the above companies will be closed from 27 December 1985 to 3 January 1986, inclusive.

By order of the boards per pro CONSOLIDATED GOLD FIELDS PLC
London Secretaries
Mrs G. M. A. Greshill, Secretary
United Kingdom Registrar:
Hill Samuel Registrars Limited
5 Greencoat Place
London SW1P 1PL

Christmas Gifts

Give the present that could be worth £200,000! Premium Bond Gift Token—for the chance of a fortune. At your Post Office now in a range of attractive designs. So easy to send—so good to get.

Art Galleries

SHOW & SELL 18, Cork Street, London, W1, 11.30-5.30. LINDA GUINNESS, New Paintings, 11.30-5.30. ANNUAL WATERCOLOUR EXHIBITION, Mrs. G. M. A. Greshill, Secretary, 11.30-5.30. FRANK BRANWYN, R.A., Paintings, Watercolours, Drawings, and etchings at The Building Centre, 25, St. Bride Street, London, EC4A 3DF, 11.30-5.30.

Clubs

EVE has outlived the others because of a policy of fair play and value for money. Super from 10-3.30 pm. Dances and too many, glamorous hostesses, exciting. Rooming, 185, Regent St. 01-734 0537.

Personal

FACT

THE NUMBER OF SUFFERERS OF THIS DISEASE is increasing alarmingly

DIABETES
JOIN THE BDA AND SEND ME A DONATION TODAY

Jerry Seale

BRITISH DIABETIC ASSOCIATION
10 QUEEN ANNE STREET
LONDON W1M 0BD

Legal Notices

No. 00071 of 1985
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
THE MATTER OF
BROWN & JACKSON PLC
AND IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice, Chancery Division, dated 18th November 1985 confirming the reduction of the Share Premium to nil of the above-named Company from £2,841,916.47 to £241,916.47 was registered by the Registrar of Companies on 28th November 1985.
Dated this 6th day of December 1985.
CLIFFORD-TURNER,
19 New Bridge Street,
London EC4A 3DF.
Solicitors for the above-named Company.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

**For the council: Michael Ker-
shaw QC and Jane Tracy Forster
W. I. Murray, Liverpool).**
**For Palatine: Andrew Gūbart
(Laces and Co., Manchester).**
**By Rachel Davies
Barrister**

eris, who joined Royal Brussels in 1964, as general
erley's board of directors two manager.

B E N D S I N I S T E R
 P A R M O U S E S
 C O R R A M E N T S
 N O T I N G S
 S W A S T E R N A K A
 E G G S P R O S P E R I T Y
 T H I N K I N G
 F A C T O R S
 F A C T O R S
 M E A T I N G S

[illegible]

Assurance Plc Shedden SHI TEL	Confederation Life Insurance Co 50 Chancery Lane, WC2A 1HE	Assicurazioni GENERALI SpA 117 Finchley St, London EC3M 5DY	Legal & General (UK) Essex House
0793 262201	01-242 0282	01-498 0733	01-498 0733
			01-498 0733
			01-498 0733

<p>Authorised Unit Trusts & Insurances</p> <p>UNIT TRUSTS</p> <p>Life Insurance</p> <p>General Insurance</p> <p>Investment Funds</p> <p>Other Financial Services</p> <p>Insurance Companies</p> <p>Unit Trust Managers</p> <p>Legal & General</p> <p>Life Insurance</p> <p>General Insurance</p> <p>Investment Funds</p> <p>Other Financial Services</p> <p>Insurance Companies</p> <p>Unit Trust Managers</p> <p>Legal & General</p> <p>Life Insurance</p> <p>General Insurance</p> <p>Investment Funds</p> <p>Other Financial Services</p> <p>Insurance Companies</p> <p>Unit Trust Managers</p> <p>Legal & General</p> <p>Life Insurance</p> <p>General Insurance</p> <p>Investment Funds</p> <p>Other Financial Services</p> <p>Insurance Companies</p> <p>Unit Trust Managers</p> <p>Legal & General</p> <p>Life Insurance</p> <p>General Insurance</p> <p>Investment Funds</p> <p>Other Financial Services</p> <p>Insurance Companies</p> <p>Unit Trust Managers</p> <p>Legal & General</p> <p>Life Insurance</p> <p>General 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MONEY
Long

[illegible]

EEC makes progress on special levy for sugar

resented an alternative plan to increase production levels from two per cent to 2.5 per cent for "A" quota, which roughly equals each country's domestic demand, and from one per cent to one and a half per cent for B quota—that is, the surplus which each country exports. The latter would increase the price support.

Both plans were intended to become effective for five years, from next July to 1979, when the quotas expire. The new compromise, however, would run for just two years.

After an all-night session of talks on Monday, Ministers resumed their work yesterday, but with further debate as to what should take place after the two-year scheme was completed. The French and West Germans who wished to protect their own quotas, however, remained insistent that no tampering with national production

THE INTERNATIONAL Tin Council (ITC) has set up a working party to meet London Metal Exchange brokers to discuss ways of ending the tin market crisis.

The group of nine delegates is expected to meet the brokers tomorrow to discuss ways of reopening tin trading in an orderly way, before reporting back to the full ITC. The council wants the group to explore ways in which the potential losses it faces might be shared with its creditors.

The group may not be given trading powers. It may enseat creditor banks tomorrow, but further steps must be agreed by the ITC.

Delegates said that the working party represented very limited progress at best.

It is understood that the EEC contacted by the British government is anxious for a rapid settlement—were particularly reluctant to allow the working group too much authority. Britain's EEC partners have consistently believed that they have no legal responsibility for the country's debts and have been in no hurry to ease the financial difficulties of the LME. There is an unspoken belief that if the LME should collapse the other European cities, such as Hamburg, Frankfurt or Paris could set up an alternative metals market.

All prices as supplied by Metal Bulletin.		\$ per flask, in warehouse, 260-275.
ANTIMONY: European free market, 9.6 per cent, \$ per tonne, in warehouse, 2,740-2,800.		MOLYBDENUM: European free market, drummed molybdenic oxide, \$ per lb Mo, in warehouse, 2.64-2.70.
BISMUTH: European free market, min. 99.99 per cent, \$ per lb, tonne lots in warehouse, 3.45-3.99.		SELENIUM: European free market, min. 9.5 per cent, \$ per lb, in warehouse, 7.00-7.25.
CADMIUM: European free market, 99.99 per cent, \$ per lb, in warehouse, ingots, 1.73-1.77, sticks, 0.77-0.81.		TUNGSTEN ORE: European free market, standard min. 65 per cent, \$ per tonne unit WO, cif, 57-65.
COSIALT: European free market, 9.5 per cent, \$ per lb, in warehouse, 10.85-11.05.		VANADIUM: European Free market, min. 98 per cent V ₂ O ₅ , other sources, \$ per lb V ₂ O ₅ , cif, 2.12-2.20.
MERCURY: European free market, min. 99.99 per cent,		URANIUM: Nuxeco exchange value, \$ per lb U, 16.75.

per box. Only Costa Rica has ever fully implemented the tax but has progressively been forced by the multinational companies to reduce it as other countries refused to do so. The tax was reduced to 10 percent and cut the tax, or failed to implement it fully in the first place. Costa Rica reduced the tax to 70 cents a box in 1964, and cut it in further to only 30 cents a box as of January next year.

Standard Fruit said that the company is considering plans for expansion in Costa Rica as well as the banana production which it said "is a better" centive than that provided by Honduras' incentive scheme. "The company denied however that it was planning to pull down the banana exports from Honduras: "what we will see is a move out of production," and more concentration on marketing. "About 80 per cent of Honduras' banana exports are bought from private producers and marketed by the company. "That percentage will increase " the company said.

The trend followed by both major companies in recent years has been to reduce capital expenditures, banana production in the region, and to rely on standard fruit to withdraw completely from Nicaragua in 1962. That move broke the marketing contract which still had several years to run, that it had with the left-wing government.

United Fruit pulled out of banana production in Costa Rica at the end of 1964, to convert its plantations to African oil palm production, and to only market bananas produced by Costa Rica

The Shell oil study estimates that current annual US oil production is running at 3.35n barrels, or 9m barrels a day. Its study sees production declining to 2.9bn barrels in 1990, which is equivalent to just under 8m barrels a day.

Mr Bookout cautioned that while Shell's figures projected that the US industry would not find enough oil and gas to hold its own this might be "too pessimistic a view as we cannot quantify in a simulation of industry performance and activity, the tendency to do better than expected under given circumstances.

High grade	Unofficial close (p.m.) 2 per tonne	+ or -	High/low
Cash	467.5	-3.25	468/467
3 months	463.4	-1.0	471/460

Official closing (am): Cash 467.5-8 (466-7), three months 464.5-5 (463-5), settlement 468 (467). Final Kerb close: 464-5.

Turnover: 11,625 tonnes. US Prime Western: 33.00-33.75 cents per pound.

April/June 120.50-121.00 buyer/sellers

کتابخانه

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling at six-month low

A further decline in oil prices pushed sterling to its lowest level since June last year in currency markets yesterday. The proximity of Christmas and the year end meant that trading volume was lower than usual, giving rise to some erratic movements. Nevertheless sterling's performance remained very much higher than expected UK money supply figures, as measured by the M3 aggregate, failed to push the pound significantly higher. Although finishing above the day's low of \$1.4290 at \$1.4345, it was still 2.35c down from Monday's close. The market was extremely nervous about the implications for sterling of an oil price war, and persistent selling pushed the pound's index down to 78.9 at the close, well below the opening level of 79.3 and Monday's close of 80.3.

Against the D-mark it slipped to a nine-month low of DM 2.5310 at the close, down from DM 2.5270 on Monday. Elsewhere it eased to ¥202.00 from ¥202.75, Sfr 3.0400 from Sfr 3.0875 and FFf 11.1200 compared with FFf 11.2750.

£ IN NEW YORK

	Dec. 10	Prev. close
Spot	\$1.4345	\$1.4355
1 month	1.4350	1.4350
3 months	1.4350	1.4350
6 months	1.4350	1.4350

Forward premiums and discounts apply to the U.S. dollar.

The dollar opened firmer against most currencies but was then confined to a narrow range in rather dull trading. Several US economic statistics are due for release later this week and apart from some seasonal demand ahead of the year end, there was little incentive to push the dollar outside its recent trading range. Against the D-mark it touched a best level of DM 2.5245 before closing at DM 2.5310 up from DM 2.5270 on Monday. Against the yen it was unchanged at ¥202.00 and was marginally stronger in terms of the Swiss franc at Sfr 3.0400 from Sfr 3.0875 and FFf 11.1200 compared with FFf 11.2750.

dollar's exchange rate index

rose 127.7 from 127.7

D-MARK - Trading range against the dollar in 1985 is 2.4510 to 2.5110. November average 2.5255. Exchange rate index 123.55 against 121.4 six months ago.

The D-mark was marginally weaker against the dollar in Frankfurt yesterday but improved against sterling as the latter suffered from lower oil prices. At the fixing the US unit rose to DM 2.5310 from DM 2.5270 and there was no intervention by the Bundesbank. Despite the firmer trend, the dollar's undertone remained weak with the possibility of lower interest rates in the US seen as the prime factor. Hopes of lower rates were pinned on recent efforts to pass legislation to decrease and eventually remove the US budget deficit. Some remained sceptical as to how successful the authorities would be towards this end however. The dollar closed at DM 2.5310 compared with DM 2.5270 on Monday and DM 2.5300 from DM 2.5300.

FUTURES AND OPTIONS

Opposing trends

Sterling and dollar denominated interest rate contracts moved sharply in opposite directions on the London International Financial Futures Exchange yesterday, mainly in reaction to speculation about a marked reduction in oil prices.

The threat by the Organisation of Petroleum Exporting Countries to keep oil production levels above 10m barrels a day is expected to force down the market price of oil. This will be good for the general prospects for inflation, and may be an extra encouragement for the Federal Reserve to cut its discount rate. Any move by the Fed is not expected until the new year however, and dealers pointed out that this produced a very high premium for March delivery Eurodollar futures over December delivery of 16 basis points, fall in the Federal funds overnight rate to less than 8 per cent helped encourage sentiment, and dealers reported the market was also optimistic about the prospects of Congress passing a revised Gramm-Rudman bill aimed at reducing the Federal budget deficit to zero by 1991.

US Treasury bond futures were also strong, after heavy demand in New York and Chicago overnight followed by a good market in the Far East. Chicago returned as buyers yesterday, with prices breaking through resistance levels and setting a new high for the March contract.

On the other hand the news from the Opec meeting at the weekend and a very depressing impact on the pound and sterling denominated contracts. Gilts tried to hold steady, but suffered heavy falls in the cash and futures markets.

Selling was reinforced by fears that the November UK banking figures would show an alarming rise in lending of £3bn.

LONDON

20-YEAR 12% NATIONAL GILT £20,000

	Dec. 10	High	Low	Prev.
Dec	110.17	111.02	110.31	111.10
March	110.20	111.02	110.31	111.10
June	110.31	111.02	110.31	111.10

10% NATIONAL SHORT GILT £100,000

	Dec. 10	High	Low	Prev.
Dec	86.27	86.47	86.40	86.50
March	86.27	86.47	86.40	86.50
June	86.27	86.47	86.40	86.50

THREE-MONTH STERLING £500,000

	Dec. 10	High	Low	Prev.
Dec	88.17	88.27	88.12	88.22
March	88.17	88.27	88.12	88.22
June	88.17	88.27	88.12	88.22

PT-SE 100 INDEX £25 per full index

	Dec. 10	High	Low	Prev.
Dec	128.90	129.50	128.85	129.70
March	128.90	129.50	128.85	129.70
June	128.90	129.50	128.85	129.70

THREE-MONTH EURO-DOLLAR \$1m

	Dec. 10	High	Low	Prev.
Dec	91.80	91.85	91.75	91.85
March	91.80	91.85	91.75	91.85
June	91.80	91.85	91.75	91.85

LONDON 3M/6M OPTIONS

Strike	Dec	Call	Put	Vol
1.20	23.50	1.00	0.10	1
1.25	18.50	0.10	0.10	1
1.30	13.50	0.10	0.10	1
1.35	8.50	0.10	0.10	1
1.40	3.50	0.10	0.10	1
1.45	0.10	0.10	0.10	1

PHILADELPHIA 3M/6M OPTIONS

Strike	Dec	Call	Put	Vol
1.20	23.50	1.00	0.10	1
1.25	18.50	0.10	0.10	1
1.30	13.50	0.10	0.10	1
1.35	8.50	0.10	0.10	1
1.40	3.50	0.10	0.10	1
1.45	0.10	0.10	0.10	1

LIFE-STERLING £25,000 5 per cent

Strike	Dec	Call	Put	Vol
1.20	23.50	1.00	0.10	1
1.25	18.50	0.10	0.10	1
1.30	13.50	0.10	0.10	1
1.35	8.50	0.10	0.10	1
1.40	3.50	0.10	0.10	1
1.45	0.10	0.10	0.10	1

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1.45	0.10	0.10	0.10	1

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INDUSTRIALS—Continued			LEISURE—Continued		
	+ or -	%		+ or -	%

"Recent Issues" and "Rights" Page 30
(International Edition Page 34)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £800 per annum for each security.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

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Continued on Page 3

AMEX COMPOSITE PRICES

Sis	P/E 100s				Stock	Div	P/E	Sis				Stock	Div	P/E	Sis			
	High	Low	Close	Change				High	Low	Close	Change				High	Low	Close	Change
15	23 1/2	22 3/4	23	- 1/4	Insty		8	195	17 1/2	17 1/2	14 - 1/2	Parab	7 1/2	29	179	16 1/2	18 1/2	+ 1 1/2
4	27 1/2	27 1/4	27 1/4	+ 1/8	InstSv	20	12	23 1/2	23 1/2	23 1/2	+ 1/2	RestA	10	34	45 1/4	44 1/2	45 1/2	+ 1/2
					InstCn	29	x101	12 1/2	12 1/2	12 1/2	+ 1/2	RestA B	10	5	4 1/2	4 1/2	4 1/2	- 1/2

[illegible]

Nasdaq national market, 2.30pm prices

Continued on Page 35

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FINANCIAL TIMES

WORLD STOCK MARKETS

WALL STREET

Sustained assault on high levels

ATTEMPTS at a further rally that would take the Dow Jones industrial average convincingly through the 1,500 level, proved unsustainable as the session progressed on Wall Street stock markets yesterday, writes Michael Morgan in New York.

The market mood remained firm, however, still buoyed by the outlook for lower oil prices and the prospects for the passage of budget balancing legislation. Stocks opened firmer and the first calculation of the Dow after the first half hour was marginally above the 1,500 level. Subsequent profit-taking pared the gains leaving the measure to trade narrowly around Monday's record close.

At the close the Dow Jones industrial average was up 2.18 at 1,499.20, a new record.

In the credit markets, prices of Treasury bonds were more than half a point higher - leaving yields at their lowest since 1979 - although analysts were split on whether Monday's coupon pass by the Fed was the first stage of an easing in policy that would culminate in a discount rate cut.

Federal funds opened at 7 1/4 per cent and later eased to 7 1/8 per cent.

Among the Treasury coupon issues,

the price of the key long bond, the 9 1/2 per cent of 2015, rose 1/4 to 102 1/2, while the 9 1/2 per cent 10-year note rose 1/2 to 100 1/2.

In the money markets, the yield on the three-month Treasury bill was unchanged at 7.18 per cent, while the six-month bill, yielding 7.23 per cent was 2 basis points lower.

In the stock markets, oils were mostly in active trading with one analyst forecasting further downward pressure on the sector as it tries to assess the impact of the Opec meeting.

Phillips Petroleum was down 3/4 at \$11 3/4, Exxon 5/4 at \$51 1/4 and Atlantic Richfield 1 1/4 at \$62 1/4.

Texasco traded 5/4 lower at \$30 1/4 as it announced a defensive rights plan. Pennzoil was 1/4 at \$65 1/4 ahead of a judge's ruling expected later in the day on a jury's \$10.5m award to Pennzoil in its suit against Texaco.

Airline stocks continued to benefit from the outlook for lower oil prices. UAL rose 1 1/4 to \$52 1/4, NWA 1 1/4 to \$51 1/4 and AMR 5/4 at \$42 1/4.

Among blue chips and technologies, IBM picked up 3/4 to trade at \$144 1/4. General Electric added 3/4 to \$66 1/4. Digital Equipment rose 3/4 to \$127 1/4 but Cray Research traded 1 1/4 lower at \$64 1/4.

Honeywell rose 3/4 to \$72 1/4 after it signed a 10-year trade agreement with China to supply manufacturing technology for a range of equipment.

GAF Corp put on 3/4 to \$59 1/4 after Monday's \$10 surge when it announced plans to make a tender offer for Union Carbide. Stock in Carbide shed 3/4 to \$68 1/4 amid reports that it was considering various options including a counter-

bid for GAF, a leveraged buyout or a friendly merger.

RCA was 3 1/4 ahead at \$53 1/4 in heavy trading amid market rumours that the company planned a restructuring. The company declined to comment on the activity in the stock.

Cyclops, the tool carbon and special steel group, rose 3/4 to \$55 1/4 as it reached agreement in principle to sell its steel and construction business.

Bristol-Myers, the pharmaceuticals and toiletries group, traded down 3/4 at \$64 1/4. It agreed to sell its Pelton & Crane subsidiary to Siemens Medical Systems on undisclosed terms.

Plessey of the UK, traded as American Depository Receipts, fell 1 1/4 to \$25 1/4 after the board unanimously rejected the takeover bid from General Electric of Britain.

PepsiCo was 5/4 higher at \$71 1/4 as it paid \$500m for the soft drinks business of MEI Corp, a move that will give PepsiCo more control over its soft drinks business. MEI was 5/4 ahead at \$38 1/4.

General Dynamics, considering a major acquisition outside the defence industry, was 5/4 higher at \$68.

Upjohn continued its decline, shedding another 3/4 to \$128 1/4 after Monday's \$6 fall. The decline has been attributed to competition from American Cyanamid on a drug that will promote hair growth. Cyanamid was 5/4 higher at \$57 1/4.

Alcoa traded 1 1/4 higher at \$38 1/4 in continued reaction to its restructuring plans.

Among actively traded issues on the New York Stock Exchange, Sears Roebuck added 3/4 to \$40, while on the American Stock Exchange, Wang Laboratories added 5/4 to \$20 1/4.

EUROPE

Airlines, oils and banks prominent

BANK, OIL AND AIRLINE issues featured strongly on the European bourses yesterday as corporate news mingled with the strong undercurrents of the Opec strategy plans agreed in Geneva.

Frankfurt was host to a plethora of corporate developments with banks firmly in the spotlight. The Commerzbank index rose 14.1 to 1,739.1.

BHF posted a healthy DM 9 rise to DM 495 ahead of the news that Union Bank of Switzerland - thought to be a suitor for the bank - had agreed the repurchase of Deutsche Ländersbank from Dresdner Bank, which rose DM 1 to DM 343.50.

Deutsche Bank, volatile since announcing its plans for Flick, recouped DM 6 to DM 716.50, while Daimler suffered a bruising DM 33 drop to DM 1,106 on concern that the placement of Flick's 10 per cent stake will place pressure on it.

Lufthansa benefited from the prospects of a free-for-all in the oil market and its plans to set up a software and information technology joint venture in Berlin. The 79.9 per cent state-owned airline rose DM 6 to DM 216.

Boss, the male fashion group, announced its flotation price - DM 815 per DM 50 nominal share. A nominal DM 4.95 worth of non-voting preference shares are to be offered between Friday and next Tuesday with trading expected to begin on December 20 in Frankfurt and Stuttgart.

The bond market was buoyed by overnight strength in US credit markets. The Bundesbank sold a large DM 53.2m of paper after Monday's sales of DM 11.5m.

Profit-takers ran amok in an active Brussels, although some bargain hunters made token gestures of support. The Belgian Stock Exchange index fell a further 40.83 to 2,875.91.

Petrofina, hit by the Opec rumblings, lost a hefty Bfr 230 to Bfr 6,780 although Electrabel, the energy holding group, recovered from Monday's shake-out with a gain of Bfr 180 to Bfr 5,440. Utility Intercom recouped Bfr 70 to Bfr 2,900.

Traction's dividend plans were swamped by the dismal sentiment of the session and it closed Bfr 195 down at Bfr 4,740.

Paris ended a two-day consolidation with foreign bargain hunters thick on the ground.

Eso fell Ffr 48 to Ffr 495 and Total-CFP extended recent losses with a further Ffr 18 decline to Ffr 279. Au Printemps put on Ffr 20 to Ffr 352. Galleries Lafayette recouped Ffr 14 to Ffr 750 and Carrefour managed a Ffr 95 rise to Ffr 2,820.

Internationals were manied in a bearish Amsterdam. Royal Dutch led the decline with its Ff 5.40 fall to Ff 170. Akzo shed 90 cents to Ff 135.50 after lodging its formal complaint with the European Commission against a ban on its sales of synthetic "super-fibres" in the US.

KLM shed 30 cents to Ff 52.90 after an opening gain of 30 cents on its statement that it was considering the possibility of a share issue. Local newspaper reports

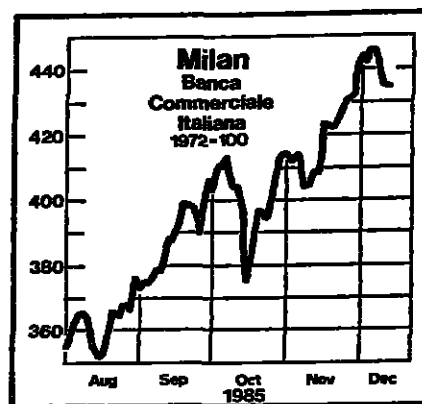
cited the airline's intention of a one-for-three rights issues.

Zurich rose on firm foreign buying. Swissair picked up Sfr 90 to Sfr 1,680 on the prospects of cheaper fuel prices while UBS, having shown its hand as regards to West German banking, picked up Sfr 10 to Sfr 4,980. Ciba-Geigy merited a Sfr 90 rise to Sfr 3,640 after acquiring a licence to develop, register and market human gamma interferon in Europe and the US.

Book-selling in Milan continued to cut trade although some gains were achieved. Fiat settled L2 higher at L5,330. Olivetti firmed L17 up at L7,997 and insurer Generali scored a L200 rally to L73,700. Heavy selling of bank issues was partly offset by a small recovery in financials, with Bostogi gaining L18 to L495.

Stockholm was mixed but sufficiently active to take the Veckans Affärer All-Share index to a high for the year. Buying focused on Fermenta, down SKr 7 to SKr 193, and Ericsson, up SKr 8 to SKr 205.

Madrid firmed slightly.



AUSTRALIA

INVESTORS expecting a raid on BHP by Mr Robert Holmes à Court in Sydney yesterday were sorely disappointed when it failed to materialise. Interest then evaporated, and prices fell across the board.

Lower world bullion prices hit the golds sector, and oils were pulled down by fears of a drop in the spot price.

BHP shed 16 cents to A\$8.24, and Santos dropped 10 cents to A\$5.40 while in golds, both Kidston and Gold Mines of Kalgoorlie were 20 cents lower at A\$5.30 and A\$9.20 respectively.

HONG KONG

SMALL INVESTORS kept to the sidelines in Hong Kong as caution set in ahead of the visit by China's Director of Hong Kong and Macao Office, Ji Pengfei. After a late rally in properties, however, stocks ended mostly firmer.

Despite an early fall of 5.89, the Hang Seng index ended up 4.02 at 1,736.29.

Year-old rumours that Jardine may sell its stake in Hongkong Land continued to move the market. Hongkong Land gained 15 cents to HK\$36.75, while Jardine closed unchanged at HK\$13.70.

SINGAPORE

PROFIT-TAKING pared early gains in Singapore and prices ended generally lower. The Straits Times industrial index fell 0.35 to 243.81.

Nervousness continued over the trends in negotiations aimed at saving Pan-Electric Industries which went into receivership on November 30.

Banks ended mixed to lower with DBS up 15 cents at S\$5.45, OCEB off 10 cents at S\$7.85 and Malayan Banking 4 cents lower at S\$4.88.

TOKYO

Utilities step back into the limelight

ENCOURAGED by the sharp gain on Wall Street and expectations of a drop in crude oil prices, investors sought utilities in Tokyo yesterday, writes Shigeo Nishiwaki of Jiji Press.

But trading still centred on high-priced issues, such as Japan Air Lines (JAL) and incentive-backed stocks for immediate capital gains.

The Nikkei average advanced 52.72 to 12,850.95. Trading expanded from Monday's 190 shares to 290. Rises outpaced falls 439 to 355, with 158 issues unchanged.

Expecting profits from cheaper crude oil prices, investors purchased utilities, pushing up Tokyo Electric Power Y170 to Y2,470 and Tokyo Gas Y25 to Y263. Among oils, Arabian Oil jumped Y80 to Y3,650 and Toa Nenryo Kogyo Y30 to Y1,140.

Leggards among blue chips also drew buying, with Alps Electric adding Y70 to Y1,860. Ushio closed Y60 higher at Y1,250 and Pioneer Y30 up at Y1,760. Hitachi gained Y19 to Y740, but NEC remained unchanged at Y1,320.

Among biotechnologies, Mitsubishi Chemical was placed second on the active list with 11.88m shares changing hands, finishing at Y25, up Y7. Nippon Oil and Fats went up Y3 to Y793 and Kuraray Y10 to Y1,310.

Janome Sewing Machine spurred Y27 to Y440 on the day's heaviest trading of 12.26m shares due to an expected increase in recurring profit for the business year ending in March and rumours of a capital tie-up with a foreign company. Fujikura and Japan Storage Battery rose Y11 to Y387 and Y27 to Y424, respectively.

JAL rose Y310 to Y7,900 and Nippon Television Network Y200 to Y9,900. YDK also gained Y150 and Y4,320, but Kokusai Densha Denwa turned down, losing Y200 to Y28,650.

The bond market was animated reflecting a steep fall in US interest rates. The yield on the benchmark 6.8 per cent government bond due in December 1994 plunged to 6.053 per cent from Monday's 6.155 per cent.

Institutional investors and securities houses believe that the US interest rate drop brought about by the expected crude oil markdown would lead to another US official discount rate cut by the end of this year. But the buying force was not so strong as to push down the yield on the benchmark issue below 6 per cent, and bond prices are expected to see-saw for the time being.

CANADA

ENERGY and gold issues fell during trading in Toronto yesterday while banks and industrials moved higher, encouraged by the prospect of lower oil prices.

In golds, Lac Minerals traded C\$4 lower at C\$35, Dome Mines C\$4 to C\$12 1/2 and against the trend Campbell Red Lake added C\$3 to C\$31 1/4.

Dome Petroleum shed 5 cents to C\$3.10. Husky Oil lost C\$4 at C\$6 1/4 while Alcan Aluminium traded C\$4 higher at C\$39 1/4.

KEY MARKET MONITORS



STOCK MARKET INDICES				
	Dec 10	Previous	Year ago	
NEW YORK				
DJ Industrials	1,499.20	1,497.02	1,172.26	
DJ Transport	705.52	699.79	525.58	
DJ Utilities	166.39	165.78	143.77	
S&P Composite	206.05	204.25	162.83	
LONDON				
FT Ord	1,115.7	1,115.4	930.1	
FT-SE 100	1,399.5	1,392.2	1,197.9	
FT-A All-share	673.49	674.75	574.58	
FT-A 500	739.84	741.94	630.82	
FT Gold mines	283.0	288.3	629.8	
FT-A Long gnt	10.48	10.41	10.09	
TOKYO				
Nikkei	12,850.95	12,798.23	11,316.9	
Tokyo SE	1,018.43	1,011.08	874.9	
AUSTRALIA				
All Ord	980.8	985.8	724.2	
Metals & Mins	479.0	484.9	419.6	
AUSTRIA				
Credit Aktien	115.80	115.33	58.89	
BEELGIUM				
Belgian SE	2,875.91	2,916.79	-	
CANADA				
Toronto				
Metals & Mins	2,027.9	2,021.8	1,857.0	
Composite	2,854.3	2,859.4	2,347.1	
Montreal				
Portfolio	139.37	139.71	116.59	
DENMARK				
SE	n/a	234.70	167.31	
FRANCE				
CAC Gen	247.8	246.3	161.7	
Ind. Tendance	143.8	142.1	98.8	
WEST GERMANY				
FAZ-Aktien	589.10	585.42	372.82	
Commerzbank	1,739.1	1,725.0	1,067.0	
HONG KONG				
Hang Seng	1,728.29	1,724.27	1,115.01	
ITALY				
Banca Comm.	434.30	435.73	214.66	
NETHERLANDS				
ANP-CBS Gen	236.5	236.7	178.1	
ANP-CBS Ind	216.8	216.3	140.8	
NORWAY				
Ose SE	393.90	382.81	281.63	
SINGAPORE				
Straits Times	649.14	648.49	621.63	
SOUTH AFRICA				
JSE Golds	-	1,145.8	1,033.0	
JSE Industrials	-	1,036.3	956.8	
SPAIN				
Madrid SE	131.34	130.61	97.39	
SWEDEN				
J & P	1,616.85	1,611.79	1,398.83	
SWITZERLAND				
Swiss Bank Ind	546.3	541.9	386.0	
WORLD				
Capital Int'l	Dec 9	Prev	Year ago	
	244.8	244.6	183.4	

CURRENCIES				
	Dec 10	Previous	Dec 10	Previous
(London)				
US Dollar	-	-	1.435	1.4585
DM	2.539	2.535	3.6425	3.6975
Yen	203.55	203.55	282.0	286.75
FFr	7.75	7.73	11.225	11.275
Sfr	2.118	2.117	3.04	3.075
Scandin	2.859	2.851	4.1025	4.1575
Lira	1,725.5	1,721.5	2,476.0	2,510.75
Bfr	51.7	51.55	74.2	75.2
CS	1.39725	1.39865	2.0103	2.0453
INTEREST RATES				
	Dec 10	Prev		Prev
Euro-currency (3-month offered rate)				
\$	11 1/4	11 1/4		
DM	4 1/4	4 1/4		
FFr	12 1/4	11 1/4		
FT Interbank bid (offered rate)				
3-month U.S.	8 1/4	8 1/4		
6-month U.S.	8 1/4	8 1/4		
U.S. Fed Funds	7 1/4	7 1/4		
U.S. 3-month CDs	7 1/4	7 1/4		
U.S. 3-month T-bills	7 1/8	7 1/8		

U.S. BONDS				
	Dec 10	Yield	Price	Yield
Treasury				
8 1/2 1987	100 1/2	8.216	100 1/2	8.34
9 1/2 1992	102 1/2	9.181	101 1/2	9.34
9 1/2 1995	100 1/2	9.361	100	9.49
9 1/2 2015	102 1/2	9.65	100 1/2	9.78
Treasury Index				
Maturity (years)	Return Index	Day's change	Yield	Day's change
1-30	136.37	+0.48	8.96	-0.08
1-10	132.55	+0.36	8.70	-0.08
1-3	128.04	+0.17	8.27	-0.06
3-5	134.36	+0.44	8.87	-0.10
15-30	145.48	+0.92	9.90	-0.07

Corporate				
	Dec 10	Yield	Price	Yield
AT & T	101 1/2	10 1/4	9.90	9.96
3 1/2 July 1990	85 1/2	7.80	85	7.85
8 1/2 May 2000	88 1/2	10.25	87 1/2	10.50
Xerox	102	10.15	101 1/2	10.20
10 Mar 1993	102	10.15	101 1/2	10.20
Diamond Shamrock	100 1/2	10.00	100	10.025
10 May 1993	100 1/2	10.00	100	10.025
Federated Dept Stores	96 1/2	11.00	95 1/2	11.20
10 May 2013	106.00	11.10	104 1/2	11.30
Abbot Lab	118.00	11.00	110.00	11.30
11.80 Feb 2013	106.00	11.10	104 1/2	11.30
Alcoa	124	11.75	103 1/2	11.85
12 Dec 2012	104.00	11.75	103 1/2	11.85